Austria	Sch22	Indonesia	Rp3100	Portugal	Esc100		
Bahrain	Din0.650	Israel	NIS3.50	S.Arabia	Rls7.00		
Belgium	BFr48	Italy	L1800	Singapore	S$4.10		
Canada	C$1.00	Japan	Y600	Spain	Pta125		
Cyprus	C£0.75	Jordan	Fils500	Sri Lanka	Rupee30		
Denmark	DKr9.00	Kuwait	Fils500	Sweden	SKr9.00		
Egypt	E£2.25	Lebanon	$L125.00	Switz	SFr2.20		
Finland	Fmk7.00	Lux	LFr48	Taiwan	NT$65		
France	FFr8.50	Malaysia	Ringt2.75	Thailand	Bht50		
Germany	DM2.20	Mexico	Peso2600	Tunisia	Din0.800		
Greece	Dr100	Morocco	Dh6.00	Turkey	L500		
Hong Kong	HK$12	Neth	Fl3.00	UAE	Dh6.50		
India	Rup15	Norway	NKr10.00	USA	$1.00		

FINANCIAL TIMES

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Kohl braced for difficult time in London, Page 18

World News | Business Summary

Shultz to discuss new summit in Moscow

US Secretary of State George Shultz was to visit Moscow on February 21-23 for talks with Soviet Foreign Minister Eduard Shevardnadze aimed at preparing the ground for a fourth superpower summit later this year. **Page 18**

Angolans 'accept Cuban withdrawal'

Angola's Marxist Government had for the first time agreed that all Cuban troops should withdraw from Angola as part of a regional peace settlement in south-western Africa, the US State Department said.

It said Cuban officials, including a member of Havana's ruling politburo, had endorsed the Angolan position at a meeting last week with a top-level US delegation in Luanda.

Waldheim document

A controversial document, claimed by West German magazine Der Spiegel to implicate Austrian President Kurt Waldheim in the deportation of Yugoslavs during the Second World War, was reported to be missing from the Zagreb city archives. **Page 18**

Finnish poll results

The electoral college will have to decide on the winner in the country's presidential election as President Mauno Koivisto failed to reach the 50 per cent majority needed for victory.

Sino-US textile pact

The US was due to sign a bilateral trade agreement in Peking strictly limiting the increase in China's exports to US. **Page 4**

Swedes locked out

Swedish employers locked out 50,000 white-collar workers in retaliation for a two-week-old strike.

Farmers block border

Hundreds of West German farmers blocked two border crossings into the Netherlands with tractors to protest against what they said was unfair competition from Dutch farmers.

Brazilian rail strike

Some 85,000 Brazilian railway workers began an indefinite national strike, seeking pay increases of 60 to 80 per cent, union officials said.

Pakistan bomb kills 5

Five people were killed and 30 wounded when a bomb *exploded in Peshawar*, north-west Pakistan.

Athens siesta protest

Shops closed in Athens in a two-day protest against a government order abolishing the traditional four-hour afternoon siesta to help cut traffic and smog in the city centre.

More Tamils seized

Indian troops detained 54 more Tamil guerrillas, bringing to 188 the number of arrests in a three-day crackdown on the Jaffna Peninsula. **Page 3**

N-test ban sought

Swedish and Canadian disarmament experts called on the world's five nuclear powers to ban the testing immediately of all but the smallest atomic weapons as a first realistic step to a complete moratorium.

Rights activists jailed

Despite a rising tide of protests in East Germany, East Berlin authorities convicted three young civil rights activists of "unlawful assembly" and sentenced them to six months' imprisonment. **Page 2**

Snow isolates Soviets

The heaviest snow in 100 years closed rail links between the southern Soviet republics of Georgia, Armenia and Azerbaijan. Weather experts said *320cm (10ft) fell in parts of the* Caucasus mountains in Georgia.

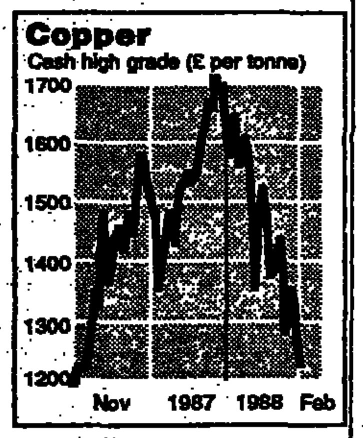
Seagram wins bid battle for Martell

SEAGRAM, Canadian drinks group, has defeated Grand Metropolitan, its UK rival, in the battle for control of Martell, French cognac producer.

The Martell board last night unanimously recommended Seagram's increased FFr5.25bn ($937.5m) bid, which tops the *final offer from GrandMet by 5* per cent. **Page 18**

PRUDENTIAL-Bache Securities, owned by Prudential Insurance Company of America, incurred a loss of about $100m in 1987. **Page 19**

COPPER prices fell sharply on the London Metal Exchange following further weakness in



New York, with grade A metal closing down £87 a tonne at £1,139.50 (£2,017). **Commodities, Page 28**

WALL STREET: The Dow Jones Industrial Average closed 13.59 down at 1944.63. **Page 40**

TOKYO: A bout of cautious profit-taking towards the close eroded early gains and left share prices mixed in Tokyo yesterday but the Nikkei average closed 13.19 higher at 23,732.32. **Page 40**

LONDON: Equities reversed early gains in London after the shock of the Bank of England's move to higher base rates. The FT-SE 100 index ended 13.9 lower at 1,776.9 in light turnover. **Page 40**

DOLLAR closed in New York at DM1.3820; FFr5.7045; SFr1.3895; Y1.6925. It closed in London at DM1.6915 (DM1.6775); FFr5.7025 (FFr5.655); SFr1.3815 *(SFr1.367)*; Y129.35 *(Y127.75)*. **Page 29**

STERLING closed in New York at $1.7575. It closed in London at $1.7585; DM2.975 (DM2.97); FFr10.0275 (FFr10.01); SFr2.43 (SFr2.42); Y227.5 (Y226.25). **Page 29**

SANTA FE Southern Pacific, Chicago-based rail, energy and property group, has appointed to its board Mr Paul Reichmann and Mr Marshall Cohen, senior executives of Olympia & York, the Reichmanns' private property and energy group, to defeat a rebellion by its largest *shareholder, Mr Michael Dingman's* Henley Group. **Page 19**

MORGAN GRENFELL, UK investment bank, and a Brazilian investment bank are establishing a fund to invest in Brazilian equities. **Page 24**

CANADIAN PACIFIC, Canada's largest conglomerate, is to buy the hotel chain of Montreal-based Canadian National Railways, its domestic rail competitor, in a deal worth C$265m ($209m). **Page 19**

NORSK DATA, Norwegian computer group, reported a decline of 50 per cent to NKr235m ($37m) in pre-tax profits for 1987 and said operating costs had soared by 25 per cent. **Page 20**

CONSOB, governing body of the Milan bourse, has suspended trading in Eurogest, the financial services group widely reported to be in financial difficulties. **Page 20**

RESORTS INTERNATIONAL, US casino group, said a special committee of its board had agreed to recommend acceptance of a revised merger proposal from Mr Donald J Trump, New York property developer who has about 88 per cent control of the company. **Page 19**

Shell Oil agrees costs for US toxic waste pollution

BY NICK BUNKER IN LONDON

SHELL OIL has agreed to pay as much as $380m to help clean up toxic waste at the Rocky Mountain Arsenal in Colorado, one of the most heavily-polluted industrial sites in North America.

In a draft consent decree filed yesterday in a Denver federal court, Texas-based Shell Oil, part of the multinational Royal Dutch-Shell group, and the US Justice Department agreed that the company and the US Army would share the cost of the clean-up, which is expected to take until the end of the century.

The US Justice Department said that the total bill could not yet be established, but that it was likely to be between $750m and $1bn, with Shell paying between $330m and $380m.

The Rocky Mountain Arsenal, a 27 square mile site on Denver's north-eastern fringes, was used for more than 30 years by the US Army to manufacture and dispose of mustard and nerve gases.

After 1952, Shell made herbicides and pesticides on land leased from the army on the site, where soil and ground-water is now heavily contaminated with arsenic salts.

The company is now at the centre of a separate lawsuit in California in which it is attempting to recover its share of the clean-up costs from about 260 insurers, including underwriting syndicates in the Lloyd's of London insurance market.

The Californian lawsuit is widely regarded in the US insurance industry as a key test case on whether or not insurers will have to pay possibly billions of dollars to indemnify industrial companies like Shell against hazardous waste clean-up costs.

The issue has arisen largely because of the 1980 US Superfund Act. This mandated the US Environmental Protection Agency to clean up hazardous materials throughout the US and then sue potentially responsible parties.

Mr Roger Marzulla, an acting assistant US attorney-general, said Shell had agreed to pay half of the first $500m of costs, then 35 per cent of the next $200m and 20 per cent of the remainder.

Yesterday's US Government figures for the Rocky Mountain Arsenal clean-up fell a long way short, however, of the worst fears of the London insurance market, where Shell's possible insurance claims arising from the case had been put at more than $1bn.

The US Army has already spent $125m on cleaning the Arsenal, while Shell has spent about $25m.

Two die on West Bank as divisions emerge on peace plan

By Andrew Whitley in Jerusalem

TWO MORE Palestinians were shot dead by Israelis on the occupied West Bank yesterday as divisions emerged within the coalition Government over the wisdom of pursuing the latest US Middle East peace plan before the unrest is quashed.

The plan centres on local *self-rule* in the West Bank and Gaza Strip. Senior Israeli parliamentarians, awaiting a response from Jordan to the plan, quarrelled publicly over being seen to enter into negotiations at a time when the country is on the defensive.

These misgivings of the Israeli right found an unexpected ally yesterday, in Damascus. While the Assad Government has yet to comment publicly on the subject, a Syrian official was quoted as saying the aim of the US was to divert world attention from the Palestinian uprising and to foster inter-Arab conflict.

The death of two young men, one aged 17 and the other 21, coincided with the rekindling of violence across the West Bank. Troops opened fire in seven different locations according to the Palestine Press Service, injuring at least 22. The two deaths yesterday brings the unofficial toll since the current disturbances began to 41.

"We had a bad day today. It was undoubtedly a setback," said Lt Col Arik Gordin, head of the Government's newly created information centre. No deaths had been reported for over two weeks, leading to cautious hopes that the unrest was on the wane.

Mr Yitzhak Rabin, the Israeli Defence Minister, acknowledged publicly for the first time, that the disturbances of the past two months had the backing of the majority of the Arab population in the occupied territories. He reiterated the army would continue to use force wherever necessary.

Mr Rabin, signalling that the Government was reconciling itself to a long haul, said the side losing the confrontation would be the one which tired first. "We do not intend to," he added.

Our Middle East staff adds: the White House said yesterday it was unable to report any progress after a secret mission to Jordan of Mr Philip Habib, a special presidential envoy.

But Arab diplomatic pressure for an international peace conference built up. Yesterday, President François Mitterrand of France endorsed Egypt's new strategy after talks in Paris with President Hosni Mubarak, who is calling for a six-month truce in the occupied territories, and a freeze of Jewish settlements followed by an international peace conference.

Philips-GEC medical venture founders on financial adjustment

BY TERRY DODSWORTH IN LONDON AND LAURA RAUN IN AMSTERDAM

A PLANNED joint venture to *create the world's second largest* medical diagnostic equipment manufacturing company collapsed yesterday when the General Electric Company of the UK and Philips of the Netherlands failed to agree on terms.

The 11th-hour decision to abandon the *deal took the* financial markets by surprise. The two companies first announced the plans in April last year, and had since virtually completed their negotiations. Only three months ago they told their American customers that they were already beginning to work together.

Since the turn of the year, however, talks have foundered because of disagreements over the amount of cash GEC was to inject into the new group in compensation for its smaller size. According to both companies, currency fluctuations have had a serious impact on their initial plans.

Under the terms of the original agreement, GEC was to have put in up to $200m to enable it to take a 50 per cent stake in the joint venture. *Philips has never given firm figures* for its medical division, but GEC's operations, with pre-tax profits of around £32m last year, were believed to have been around half the size of those of the Dutch company.

Over the past year, the fall in the dollar has undermined *profits in the Philips division*, pushing them down to the level of earnings in the GEC business.

However, subsequent efforts by the UK company to achieve a substantial reduction in its contribution were unsuccessful. Philips argued that its currency problems, caused by manufacturing in hard-currency countries in Europe and exporting to the US, would turn around at some stage to drive its profits back up again.

Reaction to news of the aborted deal was mixed yesterday. Over the short term, analysts largely supported the break-off of talks, because of the difficulty of coming to a satisfactory financial solution. Philips' shares rose slightly from Fl 24.70 to Fl 25.20, while GEC's, down by 5p to 157p, fell roughly in line with the market.

Longer term, however, the failure leaves both companies looking more vulnerable. Costs in the medical diagnostic market are increasing rapidly because of rising expenditure on electronic research, particularly in the new generation of nuclear magnetic resonance imaging machines.

The proposed combination was initially presented as a means of tackling this problem by rationalisation. In addition, it would have brought together GEC's Picker division, largely based in the US, with Philips' strength in Europe, where it generates about 60 per cent of its sales.

The indications are that both companies will now be looking for other prospective combinations. These could either be with Japanese companies, which are beginning to make an increasing impact on the world market, or with a number of smaller national groups, or the other two large global manufacturers, General Electric of the US, and Siemens of West Germany.

UK banks raise interest rates to 9 per cent

BY SIMON HOLBERTON IN LONDON

THE COST of bank borrowing in the UK rose yesterday from 8½ per cent to 9 per cent as clearing banks responded to a Bank of England signal for higher base rates.

The interest rate rise took financial markets by suprise, despite recent official warnings that rates may need to be increased to curtail inflationary pressures in the economy. The prices of shares and gilt-edged securities fell in London markets on the news that the Bank had increased its money market dealing rates and closed lower on the day.

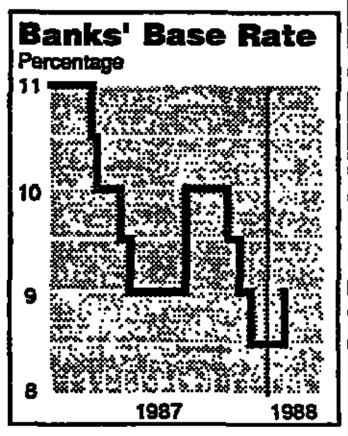
The politically sensitive home loan interest rates are, however, unlikely to be increased. Major building societies, which make the majority of loans for house purchases in the UK, indicated that they had no current plans to lift their lending rates.

The Treasury sought to emphasise that yesterday's move did not necessarily presage further base-rate increases. Base rates had been lowered by 1½ points in three stages since the October collapse in share prices, primarily to assure financial markets that the authorities would provide support for the financial system.

A half-point reversal was judged opportune given the current stability of financial markets and signs that the economy had emerged from the October crash relatively unscathed.

The move was, however, criticised by the Confederation of British Industry, the employers' organisation, as unnecessary. The CBI said that its recent industrial trends survey indicated that "over-heating" pressures were abating and that yesterday's increase in base rates would add £125m ($221m) to industry's costs in a full year.

Mr Bryan Gould, Labour *opposition spokesman on trade* and industry, described the rise as a "body blow to British industry". He said the Government ought to pay attention to the need to avert recession and improve the competitiveness of industry.



The move upwards in base rates confirms the concern both the Treasury and Bank have over domestic economic conditions. These concerns have been most forcefully articulated by Mr Robin Leigh-Pemberton, the Governor of the Bank of England, who last Friday indicated a tightening on monetary policy was needed to contain inflationary pressures.

Of particular concern to the Government is the strong growth in bank lending and the high level of imports, both of which support the view that demand has remained strong despite the shock dealt to the economy by the sharp fall in share prices.

The rise in base *rates* yesterday lead to a strengthening of the pound against the D-Mark – the rate which the authorities have so far successfully held within a tight range of DM2.60 to DM3 and which is officially regarded as a key element in the Government's anti-inflationary policy.

Technical trading 'not to blame for stock market crash'

BY JANET BUSH IN NEW YORK

THE STOCK market collapse of October 19 was prompted by a change in investor perceptions rather than by technical trading strategies, according to the Commodity Futures Trading Commission, the Chicago regulatory body.

In its final report on the October crash, the commission says there is no evidence to support the argument that stock index arbitrage, and portfolio insurance caused the collapse.

Stock index arbitrage and portfolio insurance are the two strategies commonly covered by the term "programme trading," the electronic buying and selling *of shares which has come* under fierce attack since October.

Stock index arbitrage takes advantage of price discrepancies between stock index futures and their underlying stocks in the cash market. Portfolio insurance is a hedging strategy in which shares are bought and sold according to asset allocation formulae.

The commission's findings "support the belief that the massive wave of selling that engulfed both stock and futures markets on October 19 was precipitated by an unprecedented change in investors' perceptions and was not initiated by technical trading strategies which interacted with each other and the stock market."

Various recommendations are made in the commission's report. It says futures exchanges should consider the addition of a percentage cushion to margin requirements to ensure greater protection against extreme fluctuations in prices. In addition, margin systems should be reviewed to assure that they address adequately increased risks created by futures positions concentrated in one market.

The commission also suggests that settlement banks should have additional access to financial and position data covering their customer clearing member firms. This would make it earlier to check a bank's credit and whether funds were available to meet margin obligations.

The thrust of its other recommendations is towards greater coordination between futures and securities exchanges including improved collection and sharing of trading data. There should also be better coordination on matters such as trading halts and emergency closings.

The commission said yesterday its conclusions were based on analysis of data covering the period from October 14 to 23, collected jointly with the Securities and Exchange Commission which publishes its report on the crash today.

That data did not suggest the kind of trading patterns *normally associated with a "cascade effect"* which normally refers to the downward spiral in stock prices caused by portfolio insurance and stock index arbitrage.

The commission cites evidence from specific trading days on Wall Street. For example, on October 26 when the Dow Jones industrial average fell 157 points on volume of more than 200m shares, it says no index arbitrage trades were reported.

US banks' credit ratings cut

BY ANATOLE KALETSKY IN NEW YORK

STANDARD & POORS, the major US credit rating agency, yesterday downgraded the debts of five of the biggest US bank groups, an action which could further restrict the banks' *financial flexibility* and add to the pressure on managements to bolster capital, cut costs and dispose of underutilised assets.

S&P said its decision to review all of the leading banks' credit ratings was prompted by three interconnected factors - continuing debt servicing problems in the Third World, increasing regulatory concern about bank capitalisation and intensifying competition

While S&P found that three of the eight leading US international banks – J.P. Morgan, Bankers Trust and Citicorp – had suffered no credit deterioration, it downgraded the bonds of five others – Chemical, Chase Manhattan, Manufacturers Hanover, First Chicago and BankAmerica. It also reduced the ratings on short-term money market instruments issued by Chemcial, Chase and Manufacturers. The lowest rated bank, BankAmerica, has had its long-term bond rating reduced from BBB to BBB-, the lowest level which still qualifies as an "investment grade" security under the S&P system.

Manufacturers Hanover, the institution with the next lowest rating, has been brought down three notches from A to BBB. Manufacturers' commercial paper has also been downgraded from A1 to A2 and its certificates of deposit from A+ to A-.

Brazil begins repaying interest arrears, **Page 18**

CONTENTS

JERUSALEM LEARNS TO LIVE WITH THE STIGMA OF APARTHEID

Israeli Prime Minister Yitzak Shamir and his political allies regard South Africa as a useful ally, Page 17

W GERMANY AND UK EXCHANGE CONCILIATORY GESTURES

Genscher smooths path to summit

BY JAMES BUCHAN IN BRUSSELS

THE DIPLOMATIC run-up to the Brussels EC summit in 10 days opened in earnest yesterday with an assurance by West Germany, current holder of the EC presidency, that it was not seeking to isolate the UK, and with a sign of British conciliation on at least one of the vexed budget and agricultural issues.

Before the start of the EC Foreign Ministers' meeting Mr Hans-Dietrich Genscher, the German Foreign Minister, told his UK counterpart, Sir Geoffrey Howe, in a bilateral meeting, that the presidency sought compromise, not confrontation. In particular he said that the inter-related farm and budget question was at the heart of the negotiations, and not the future of the rebate on the British budget contributions.

At the same time agreement looked near on a mechanism for EC budget contributions to subsidising farm exports. The UK dropped its earlier insistence that farmers should bear the first Ecu800m of extra subsidy in the event of a fall in the dollar against the Ecu. It agreed that the EC could intervene after farmers had absorbed only the first Ecu400m cost of changes in exchange rates.

Mr Genscher and Sir Geoffrey Howe: preparing the way for the summit next week

The German bridge-building exercise got into full swing in bilateral meetings which Mr Genscher held last night with his counterparts, and will continue after the two-day meeting in Brussels with separate meetings with the French and Italian foreign ministers later this week.

However, the most difficult agricultural issues remain for discussion today by EC foreign ministers, and it was not clear that Mr Genscher's presidential exercise in conciliation reflected a genuine German change of heart in its views on farm-price cuts and overall budget ceilings which are opposed by the UK.

Virtually every issue remained interlocked. For instance, efforts by the presidency and the commission to accommodate the particular Italian dislike of a switch in calculating budget contributions from a value added tax to a gross national product basis threatens to increase contributions by other member states.

The UK, however, seemed relatively assured yesterday that it could protect itself from any large increase in its net contribution.

Another related issue concerns the settlement of farm spending and future spending on regional and social development in poorer EC states. The commission has proposed a doubling of "structural fund" spending by 1992. However, it appeared yesterday that only one state, Spain, was insisting on such an increase which is strongly opposed by the richer northern states.

EC jobless total rises to 16.3m in December

THE NUMBER of unemployed in the European Community reached 16.3m last December, a 2.6 per cent rise from the previous month, Eurostat, the EEC statistical office, said yesterday, AP reports from Brussels.

The seasonally unadjusted jobless rate for nine of the 12 EC countries, excluding Spain, Portugal and Greece, rose to 11.1 per cent in December from 10.8 per cent in November, according to Eurostat.

For 1987 as a whole, the average unemployment rate for the nine states fell to 11 per cent from 11.1 per cent in 1986.

The average number of unemployed in the 12 EC countries for 1987 remained unchanged from the previous year at 16.1m.

The unemployment rate for all member countries was not available, Eurostat said, because of difficulties of harmonising statistics from Spain, Portugal and Greece with the rest of the EC.

Eurostat said the rise in the December jobless figures was greater than usual for the time of year, and suggested that there was "at least a temporary deterioration in the labour market situation."

This, Eurostat noted, was particularly true in West Germany and Italy. But the number of unemployed also increased in Spain, where registered job seekers exceeded 3m for the first time, and in France.

The average unemployment for 1987 as a whole fell 10.2 per cent in Britain, 3.5 per cent in the Netherlands and 3.1 per cent in Belgium. It rose 6 per cent in Spain, 4.6 per cent in Ireland, 4.2 per cent in France, 2.7 per cent in Italy and 0.4 per cent in Germany.

Polish zloty devalued by 20%

By Christopher Bobinsky in Warsaw

POLAND yesterday devalued the zloty by 20 per cent against the dollar to ZL380 as prices rose for consumers, industry and farmers.

The action on prices, which is designed to bring energy savings and stem the danger of runaway growth in subsidies, seems to have passed calmly.

Workers' council activists in various factories reported that the shop floor had greeted the rises with dismay, seeing the price move as a threat to real incomes.

Prices over the year are due to rise by about 45 per cent while incomes will be at least 8 points behind. "People are unhappy at what has happened but they feel powerless and apathetic," was the view from the Pawafag locomotive works in Wroclaw.

There was confusion as to how the Government's promise that the rises, except for spirits and tobacco, would be compensated.

Workers are to start receiving an extra ZL6,000 a month which amounts to a 20 per cent increase on the average wage but it is estimated the rises will raise the cost of living by a further ZL6,000 a month.

Many companies will find it difficult to cover this while pressure to raise incomes will mount in the coming months as people begin to feel the pinch.

"I expect we'll be putting up our prices to cover the added cost in wages," was the response at a Warsaw television plant.

In Warsaw yesterday the police detained about 30 people as they attempted to march past the Romanian embassy to protest against Bucharest's treatment of workers in the wake of the Brasov demonstrations last November.

The police who had been awaiting outside the embassy broke up the 50-strong group and took away their banners. Those detained included Mr Zbigniew Bujak, the Warsaw Solidarity leader.

East Germany jails civil rights activists

BY LESLIE COLITT IN EAST BERLIN

DESPITE a rising tide of protests in East Germany, the authorities in East Berlin convicted three young civil rights activists of "unlawful assembly" yesterday and handed down six-month prison sentences.

Mr Wolfgang Schnur, a lawyer for the East German Protestant Church, which gives refuge to political dissidents, said he would appeal the sentences "now, more than ever".

The Public Prosecutor had called for prison terms of up to eight months for the activists, the youngest of whom is 17. Seven other young people face trials, some on charges of "treasonous contact" with the West.

The activists were arrested two weeks ago, when more than 100 East German civil rights supporters were taken into custody after trying to join an official demonstration in East Berlin, where they tried to make known their views.

After the sentencing, nearly 150 sympathisers filed past state security officials who checked identity documents and attended a service in the Church of the Faithful opposite the court where the trial was held. A much larger "intercession" service was to be held in the evening at St Bartholomew's Church.

Such services, attended last weekend by thousands of East Berliners and addressed by prominent churchmen, have especially angered the East German leadership. It regards them as a "misuse" of the Church's right of free assembly in East Germany.

The special church services began last November to protest at the detention of the members of an East Berlin environment group taken into custody in the basement of Zion Church rectory, where there is an environmental library.

The official news agency, ADN, issued an editorial yesterday scheduled to appear in today's party newspaper, Neues Deutschland, which attacked pastors holding intercession services. Until now, the East German leadership under Mr Erich Honecker has avoided such criticism in an attempt to maintain the understanding reached at a Church-state accord 10 years ago.

The newspaper wrote that it was a "myth" that the recent detentions for illegal assembly and treasonous contacts had anything to do with the church or with religious expression.

Senior Church leaders fear that the leadership is determined to punish civil rights activists. They say it fears a loss of face if it compromises with the Church, as it did following the Zion Church raid. "The entire politbureau appears united, that much is clear," Mr Schnur said.

Thatcher to press farming reforms

*The gulf between the UK and West Germany over the strength of reforms to European Community agricultural policy will divide their leaders when they meet today in London, **reports Robert Mauthner, Diplomatic Correspondent***

MRS MARGARET Thatcher, the Prime Minister, will pull out all the stops to try to persuade Mr Helmut Kohl, the West German Chancellor, to accept more radical reforms of the European Community's farm policy, during a lightning visit by the German leader to London today.

However, the prospects for an agreement between London and Bonn on steps to cut the EC's large agricultural surpluses are considered by diplomatic observers to be slim. Mrs Thatcher has already made it clear that the British government does not consider that the compromise proposed in Brussels by West Germany, who currently preside over the EC's Council of Ministers, goes far enough.

Following last week's Anglo-French summit in London, Mr François Mitterrand, French President, said that he did not think an agreement on farm reforms and community financing could be reached at next week's European summit in Brussels "on the basis of present positions."

Since Britain is now virtually isolated in its opposition to the German proposals, Mr Kohl will have little incentive to modify Bonn's position.

The brevity of his meeting with Mrs Thatcher – they will have only 2½ hours of discussions including translation – also militates against a breakthrough. Nor is it likely to leave enough time for anything but the most superficial examination of Anglo-German differences over arms control policy within Nato and the latest moves on Franco-German defence co-operation.

The disagreement between Bonn and London over arms control mainly concerns the treatment to be accorded to short-range nuclear weapons in Europe, following the abolition of all medium-range nuclear missiles. West Germany fears it would become the main battleground of a war fought with short-range nuclear weapons, wants to give priority to their elimination.

Britain, in common with the US and France, is anxious to keep them until strategic nuclear weapons and the disparities in conventional and chemical arms have been sharply reduced.

Vice-chairman takes the helm at Creditanstalt

BY JUDY DEMPSEY IN VIENNA

THE vice-chairman of Austria's largest bank, Creditanstalt-Bankverein, yesterday took over the running of the bank in his capacity as acting chairman until the supervisory board agrees to appoint a new chairman.

Mr Guido Schmidt-Chiari, 55, replaces Mr Hannes Androsch who offered his resignation after a court in Vienna last month found him guilty of lying to a parliamentary commission in 1980 and in 1981.

His resignation was accepted after eight hours of discussions last Friday between members of the supervisory board, who are divided between socialists and the conservative People's Party.

One of the areas of disagreement involved whether Mr Androsch should receive his outstanding salary and pension. In the event he received, among other things, a Sch8m (£385,000 handshake).

Although Mr Androsch has now been effectively silenced by his political opponents and critics, politics will again play a role in the appointment of a chairman.

Mr Schmidt-Chiari, well known in international banking circles, is a top candidate for the post but the Socialist party is considering the idea of bringing in an outsider. However, this could lead to dissatisfaction and disappointment from staff within the bank who are tired of what they see as interference from the state, which holds a 51 per cent in the bank.

Mr Schmidt-Chiari, a supporter of the People's Party, is backed by business circles and knows Creditanstalt thoroughly. He has been with the bank for 30 years. But these factors could still be outweighed by political expediency.

Bangemann urges internal market efforts

BY DAVID MARSH IN BONN

MR Martin Bangemann, the Bonn Economics Minister, yesterday called on West German industry to take more seriously plans for setting up a genuine internal market in the European Community by 1992.

Mr Bangemann told a conference on Anglo-German economic co-operation in Bonn he had been surprised by a survey showing that 87 per cent of French companies had already incorporated the 1992 plans into future planning, against only 27 per cent in the Federal Republic.

The minister said West German companies already were concentrating more efforts on the European market than competitors in other countries. But he also said reluctance to play a part in the internal market plans could cause West German companies to miss the chance of new advantages.

Mr Bangemann also voiced concern about the declining attractiveness of West Germany for foreign investors, citing a doubling of West German corporate investment abroad between end-1976 and end-1985. Over that time, foreign investment in the Federal Republic had risen by only 40 per cent, he said.

Britain had become a more favourable site for Japanese investment than West Germany, he pointed out. This was partly a consequence of better conditions in terms of lower wage and social security costs, reduced taxation and less regulation.

Lord Young, the UK Secretary of State for Trade and Industry, speaking at the conference, said he believed progress in moving towards the internal market had attained "irreversible" momentum.

He called particularly for measures to harmonise standards, open up public purchasing tenders, liberalise EC telecommunications and create a single market in services.

At a press briefing earlier, Lord Young said he was "extremely happy" with the current West German push in favour of the internal market during Bonn's six-month EC presidency. On differences between UK and German policies on industry, he said many West German employers were looking "rather longingly" at Britain in view of lower company taxation there.

Athens shops close in protest over siesta ban

SHOPS CLOSED in Athens yesterday in a two-day protest against a government order abolishing the traditional afternoon siesta to help cut traffic and smog in the city centre, **Reuter reports from Athens.**

"Continuous working hours will reduce trips in the centre of Athens and with less traffic there will be less pollution," said the Ministry of Enviroment and Public Works.

The shops' strike follows two weeks of strikes and protests by 18,000 taxi drivers who are boycotting the capital's central streets against another anti-pollution measure halving the number of taxis in the city centre.

Shops in Athens have traditionally opened in the morning and the evening with a four-hour break in the middle of the day.

Shopowners are reluctant to give up their old-style Mediterranean siesta, a habit in Greece going back as long as anyone can remember.

Athenians were forced to drive to supermarkets yesterday when local food stores remained closed.

The Ministry of Public Order has said the new operating hours would be closely supervised and anyone failing to comply could go to prison for six months.

Malenkov: popular

Stalin aide Malenkov dies, 86

By Charles Hodgson in Moscow

GEORGY MALENKOV, right-hand man to Josef Stalin who looked for a short while as if he might take over as Soviet leader on the dictator's death in 1953, has died aged 86.

Mr Gennady Gerasimov, the Soviet Foreign Ministry spokesman, told the Reuters news agency in Moscow that Mr Malenkov had died about 10 days ago and that his death had not been announced at the request of his family.

Mr Malenkov, who was Soviet party and government chief for little more than a week after Stalin's death on March 5 1953, has been buried in a Moscow cemetery, Mr Gerasimov said.

Mr Malenkov was forced to relinquish control as Soviet party head and two years later lost his post as Premier as Mr Nikita Khrushchev consolidated his grip on power. During his tenure as Premier, Mr Malenkov won popularity among the Soviet people for attempts to step up production of consumer goods and for abolishing the Stalinist tax on farm produce. He also freed political prisoners and sought to curb the role of the secret police.

In foreign policy, he is remembered for taking a more conciliatory line towards western powers.

Mr Malenkov rose to the senior ranks of the Soviet leadership during the 1930s, playing a key role in the placement of party personnel and the supervision of local party organisations at the height of Stalin's great purges of old Bolsheviks and political opponents.

Mr Malenkov, who was born in Orenburg on the Volga in 1902, was sent to Soviet Central Asia as manager of a hydro-electric plant. In 1964, Mr Malenkov was allowed to return to Moscow where he later retired on a state pension, with a flat and country *dacha*.

OECD warns Belgium to tighten its belt

BY TIM DICKSON IN BRUSSELS

A GRIM warning that Belgium has no plausible alternative but to continue the tough economic policies pursued since 1982 is issued today in a survey published by the Organisation for Economic Co-operation and Development (OECD).

The report, published at a time when the country's political parties are struggling to form a government, says that new efforts are required to stabilise public debt and that "very tight management of expenditure" is needed in view of the "less favourable" general economic environment which is expected following the market crash last October.

Belgium's public sector deficit has been reduced from around 12 per cent of GNP in the early 1980s to roughly 8 per cent last year – but it is still almost double the level at which new borrowing would no longer be necessary to fund interest payments.

The OECD's conclusions – and its high praise for the achievements of the centre-right coalitions headed by Mr Wilfried Martens over the last six years – are unlikely to influence significantly the outcome of the current political negotiations. However, the caretaker government of moderate Christian Democrats and right-wing Liberals is known to have been anxious that the findings be made public as early as possible.

Seven weeks after the country's inconclusive general election result, little progress has been made in forming a stable coalition though the betting in Brussels remains that the two Christian Democrat parties (the CVP in Flanders and the PSC in Wallonia) will eventually team up with the socialists.

Last night King Baudouin asked the Health Minister Mr Jean-Luc Dehaene of the CVP to continue his talks with party leaders as so called "informateur", but the position has been complicated by anger among socialists at the apparent determination of the CVP to exclude them from a stake in the Flemish regional government.

The OECD's report predicts that following the markets crash, "Belgium can be expected to experience a temporary phase of slower growth" and that improved macro-economic performance "still depends crucially on a continued reduction of the public finance deficit".

The survey says that special efforts have to be made in the field of public enterprises and that the potential for boosting productivity is "very considerable, notably in the transport sector".

The report concludes that "only by pursuing a corrective policy aimed at redressing the present imbalances, encouraging investment and strengthening the economy's capacity to adjust will Belgium be able, in due course, to take advantage of a pick-up in foreign demand and resume a pattern of satisfactory and balanced growth".

Further move likely in Portuguese privatisation

BY DIANA SMITH IN LISBON

THE Portuguese Government is moving slowly towards privatisation of state-run enterprises nationalised in the 1974-75 left-wing revolution.

Parliament, where the ruling Social Democrats of Prof Anibal Cavaco Silva hold a 51 per cent majority, last week approved the sale of state-owned newspapers to press co-operatives and the authorities expect parliamentary approval today for the next step.

This would involve changing the status of fully state-owned industries and banks to publicly limited companies where the state holds a majority.

The step paves the way for public sale of the minority share – with provisions for acquisition of shares by employees of the enterprises – and restriction on acquisition by foreign investors of no more than 10 per cent of minority equity.

Once the legal framework of alteration of statutes is established, the Cavaco Silva government can select the first companies to be privatised.

These are likely to be the most profitable enterprises – two nationalised breweries, cement manufacturers and some commercial banks. Debate has begun in the public banking sector over the relatively small size of Portuguese banks and a possible need for mergers in time for the impact of the EC free market in 1992.

The Government does not propose to sell more than 49 per cent of the equity of any enterprise until the forthcoming Constitutional review is over. The review is expectged to expunge lingering Marxist precepts that bar denationalisation.

Turks and Greeks to act on accord

By William Dullforce in Davos

GREEK and Turkish businessmen moved swiftly yesterday to exploit their prime ministers' decision on Sunday to work for a settlement of the differences between the two countries.

About 35 businessmen participating in the World Economic Forum, organised a breakfast meeting, attended by the premiers, Mr Andreas Papandreou of Greece and Mr Turgut Ozal of Turkey, at which they agreed that a group of Turkish business executives and bankers would visit Athens on April 18. The forum is an informal, annual gathering of business leaders and statesmen.

An expansion in trade was urgently needed, Mr Halit Narin, president of the Turkish employers' federation, said. Current bilateral trade is less than $100m per year.

Mr Papandreou saw prospects for joint Greek and Turkish investments in the Middle East. He expected economic and trade relations between the two countries to evolve much faster than political developments.

He and Mr Ozal agreed to establish a committee at ambassadorial level to explore the political issues including the dispute over territorial rights in the Aegean which took the two countries to the brink of war last March.

Tourism, banking and other financial services and joint ventures, particularly in minerals and transport, were tentatively identified as areas for co-operation, according to Mr Theodore Papalexopoulos, chairman of the Confederation of Greek Industries.

It was suggested that Greece could make it easier for cruise ships visiting Greek ports to visit Turkish ports as well.

One idea broached at the meeting yesterday was to co-ordinate manufacturing of components for the General Dynamics F-16 fighter which both countries have ordered.

A joint venture to promote Greek-Turkish business was provisionally agreed between Mr Selim Egeli of Bosporus Institute, a Turkish consulting concern linked with Kissinger Associates of the US, and Mr Basil Coronakis, a Greek publisher.

Istanbul nervous over lira

By Jim Bodgener

FINANCIERS in Istanbul grew increasingly jittery yesterday in expection of severe Turkish central bank measures to halt the slide of the lira on the unregulated money markets.

Warnings against bank speculation by Mr Turgut Ozal, the Prime Minister, last week and heavier police patrols in the illicit Tahtakale money-changing district in Istanbul have failed to stave off the decline.

The free market fall has been caused by scarcities of foreign exchange combined with popular mistrust of the lira.

Last week, free market rates maintained a differential of 20-25 per cent ahead of official central bank rates.

The lira was being traded yesterday at around TL1,370 to the dollar.

This compared with the official central bank daily rate of around TL1,120.

Ankara media greet summit 'breakthrough'

BY JIM BODGENER IN ANKARA

THE Turkish media have enthusiastically welcomed the successful outcome of the Davos mini-summit. Opposition leaders were more reserved, while the business community was hopeful about the commerical opportunities that better relations with Greece might open up.

In the press, reactions ranged from "breakthrough" in the English-language Turkish Daily News to "full of nice surprises" in the mass-circulation Milliyet. However, some columnists cautioned that the accord was only a fragile first step.

Mr Suleyman Demirel, former premier and leader of the conservative True Path Party, said yesterday that the mini-summit had achieved little of pragmatic value.

The Turkish-Cypriot leader, Mr Rauf Denktash, said he was basically favourable to the rapprochement.

Opposition in Athens welcomes dialogue

BY ANDRIANA IERODIACONOU IN ATHENS

GREEK and Greek-Cypriot politicians yesterday welcomed the agreement by the Prime Ministers of Greece and Turkey to promote peaceful relations.

In a rare display of consensus politics, Mr Constantine Mitsotakis, leader of Greece's conservative opposition, said his New Democracy party would support the policy of rapprochement with Ankara launched by Dr Andreas Papandreou, the Socialist Prime Minister.

Mr Mitsotakis pledged to continue this policy in the event of a New Democracy victory in the general election scheduled for June 1989.

Mr Mitsotakis had advocated resumption of a dialogue on bilateral disputes with Turkey, initiated by the conservatives in the late 1970s but interrupted by Dr Papandreou when he came to power in 1981.

Mr Mitsotakis, speaking in London where he is expected to discuss Greek-Turkish relations in a scheduled meeting with Mrs Margaret Thatcher, British Prime Minister, this week, said: "Present circumstances render such a policy necessary for both countries more than ever before. However this policy presupposes honesty, realism, political courage and above all the avoidance of needless and dangerous acts of provocation."

In Cyprus, the government of President Spyros Kyprianou welcomed the Davos rapprochement as a positive development, in keeping with Greece's efforts to end the 14-year Turkish military occupation of the northern sector of the island.

Dr Papandreou had originally pledged, with Mr Kyprianou's backing, not to launch a dialogue with Turkey until and unless Turkish troops withdrew from Cyprus. In Davos that policy was silently abandoned, apparently with the consent of the Cyprus Government; Dr Papandreou made a point of saying he had consulted President Kyprianou before the talks with his Turkish counterpart.

Greek press criticism suggesting that Dr Papandreou had abandoned his no-dialogue policy without obtaining concessions from Turkey were condemned by the Athens government which said the reports distorted the results of the Davos talks and reflected petty party political aims.

Chagall works go to French museums

FRANCE *is to receive* 464 works by Russian-born artist Marc Chagall who moved to France *in the* 1930s, **Reuter reports from Paris.**

Under a settlement agreed yesterday between Finance Minister Mr Edouard Balladur and Chagall's estate, the works, described as being an important part of Chagall's artistic production, would be given to French museums.

Produced between 1901 and 1981, four years before the artist's death, they consist of oil paintings, and designs.

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مكرر من الاصل

Lange tries to paper over Cabinet rift

BY OUR FOREIGN STAFF

THE New Zealand Cabinet tried to paper over deep internal rifts about taxation reform at a four-hour meeting yesterday which ended with no resignations, to the relief of the financial markets.

Mr David Lange, the Prime Minister, and Mr Roger Douglas, the Finance Minister, said they remained committed to the proposals which were published in December and withdrawn for review on Thursday, prompting Mr Douglas to abandon a European tour and fly home.

Financial market operators said they were relieved to hear that there were no resignations as Mr Lange and Mr Douglas tried to calm fears about a split between them. There had been fears that Mr Douglas would resign, upsetting confidence in the financial and currency markets, unless he received guarantees that his strategy remained in place.

But one dealer said: "There are still a lot of questions out there. What are the rates going to be and when will the measures be enacted?"

Mr Lange withdrew the tax reform plans because he said they needed more detailed work. They were to have been implemented ain October and included a single rate tax for individuals and companies which some commentators speculated could be as low as 20 per cent compared with the present top rate of 48 per cent.

Mr Lange's objections, supported by some Cabinet members including Mr Geoffrey Palmer, the deputy Prime Minister, centred on the fact that in spite of revisions to the family income support scheme some lower-income and self-employed people would be worse off under the package.

In an attempt to find unity Mr Lange and Mr Douglas said in a joint statement that there could be some changes in the details. "If, for practical reasons of equity or fiscal responsibility, the (period of) development throws up a need for a variety of modifications of the detail, our intention is to face that and resolve it soundly," they said in an uncharacteristis piece of obscurity.

The New Zealand dollar rose in response to the joint statement, closing at 66.50 U.S. cents against 66.20 at the open and Friday's close of 65.90. Share prices fell slightly in exceptionally quiet trading.

Editorial Comment, Page 16

Prudent Jakarta faces uphill battle on debt

Prawiro: no rescheduling

John Murray Brown reviews the cautious role of a government in the running of its finances

"SOMETIMES A BORROWING is like an umbrella," says Mr Radius Prawiro. "You have it. But you don't have to use it." As Indonesia's finance minister he must be wondering just how weather proof the policy will be at a time when the rising yen and uncertain growth prospects of the country's main trading partners make it increasingly hard to service the country's $35bn foreign debt, among the highest in Asia.

Debt repayments both of principal and interest are set to rise 57 per cent under the 1988-89 budget, accounting for over half of routine expenditures. Capital spending is now more than ever dependent on additional foreign aid, either in the form of grants or new borrowings, albeit at soft terms. The World Bank projects' debt service charges will absorb 38 per cent of the country's exports in 1988.

Of the total public sector foreign debt, which does not include loans to Pertamina, the state oil company, and Garuda, the national airline, some $9bn is to banks, $9.6bn is backed by official export credit agencies, and the remainder in multilateral or bilateral credits, according to Central Bank figures as of June 1987.

In presenting the budget to parliament this month President Suharto said Indonesia would "continue to honour its debt." Such prudence has long been the hallmark of Indonesia's debt policy. The government has avoided rescheduling by seeking soft-loan terms and maintaining a cushion of undisbursed commercial standby credits, currently at $2.3bn, to prop up central bank reserves of $6.5bn, enough for 6 months of exports.

Rescheduling has again been ruled out. "Once you decide to reschedule there would be no capital inflow as in the case of Latin America," says Mr Prawiro. Bankers believe it would affect the ability of the private sector to tap offshore borrowings which at a time of high domestic interest rates have become the main source of working finance for many companies.

For all that, many economists feel the government should take a more active role in managing the debt, particularly since much of it is denominated in the strengthening yen. According to one estimate, if Indonesia had availed itself of various swap facilities to counter the yen's appreciation, it would have reduced debt repayments in 1986-87 by as much as 20 per cent.

Over the same period the International Monetary Fund calculates that currency adjustments added around $3.6bn to the debt.

Indonesia's recent forays into the capital markets – signing a Y50bn 10-year syndicated credit in April and a $300m 8-year syndicated loan in November – underlined how in the absence of European and US interest Japanese banks now increasingly dominate Indonesian lending.

Bankers believe a more radical solution is needed, to stretch out debt maturities which are now bunching – another reason for the sharp rise in repayments. In 1988-89 principal repayments are set to rise 34 per cent to $3.6bn and will exceed $4bn for each of the next three years.

Like any good company accountant Mr Prawiro is quick to point out that principal repayments are more than covered by capital inflows, either new credits or direct capital investment. But as one western banker put it, "if Indonesia was really a company it would be refinancing on a daily basis."

Indonesia's reluctance to do so is as much political as economic. The last major rescheduling of government debt in 1966 marked a symbolic break with the profligate ways of the former regime, coming as it did 15 months after President Suharto seized power after a failed leftist coup. Of the $2bn foreign debt inherited from the former President Sukarno, much of it was converted into long-term loans at concessional rates, under agreement with the Paris Club and various Comecon countries.

Within the last twelve months the government has had to put its own house in order, rescheduling debts of Pertamina which in 1975 collapsed owing more than $10bn. Many of the specialists drafted in to deal with that crisis are today heading the country's economic policy. Their caution now is perhaps hardly surprising.

Iraq tries to persuade Moscow to push for Gulf war ceasefire

BY RICHARD JOHNS

MR TARIQ AZIZ, the Iraqi Foreign Minister, flew to Moscow yesterday with the objective of persuading the Soviet Union to give more urgency to UN Security Council moves to bring about a ceasefire in the Gulf.

The Iraqi News Agency reported yesterday that his talks would focus on Iran's continued refusal to endorse explicitly last July's Security Council Resolution 598 which called for an end to the fighting.

Mr Aziz arrived hard on the heels of Prince Saud al Feisal, his Saudi Arabian counterpart, who left on Saturday having delivered a message from King Fahd. Relayed on behalf of the Gulf Co-operation Council, it was understood to stress the need for an urgent Security Council meeting on the question of an arms embargo against Iran.

His visit comes amid mounting frustration on the part of Iraq and the conservative Arab GCC states at the lack of movement at the UN towards sanctions against Iran.

Baghdad has been critical of the Soviet Union, its main arms supplier, for the long delay in progress towards implementing Resolution 598. Western diplomats also accuse Moscow of dragging its feet on the issue of an arms embargo. It is apparently holding out, as a quid pro quo, for agreement on a UN naval force.

On his departure from Moscow for Washington, where he is expected to deliver a similar message, Prince Saud was quoted by the Tass news agency as saying that Saudi and Soviet views on the Gulf "coincide". The Saudi Foreign Minister held talks with Mr Eduard Shevardnadze, his Soviet counterpart

While acknowledging that the exchanges were probably polite, Western diplomats believe that the Soviet Union is continuing to be ambivalent about a ceasefire not only because of its wish for greater direct involvement in a Gulf peace-keeping role but also out of concern about Iran's ability to disrupt any settlement in Afghanistan.

Tehran is believed to be bargaining hard in making its collaboration conditional on a more impartial Soviet stance on the Gulf conflict.

Commonwealth group seeks wider sanctions

By Victor Mallet in Lusaka

EIGHT Commonwealth Foreign Ministers, meeting in the Zambian capital Lusaka, yesterday made their opening moves in a campaign to reinforce and extend economic sanctions against South Africa.

The committee was established by last year's Commonwealth summit in Vancouver in the face of opposition from Mrs Margaret Thatcher, the British Prime Minister. Britain is not taking part.

Chaired by Mr Joe Clark, the Canadian Secretary of State for External Affairs, the group is attempting to keep the issue of apartheid in the forefront of international politics.

President Kenneth Kaunda of Zambia, after a ritual cry of "one world, one revolution", opened the meeting by suggesting that the ministers should try to influence opponents of sanctions and send emissaries to the US, Britain, West Germany and Japan.

"It is clear to me that some of the right-wing forces in the northern hemisphere today oppose sanctions purely on the grounds of protecting their heavy investments in that unhappy country, South Africa," Dr Kaunda said.

The recent growth of the anti-sanctions lobby has been a constant theme at the meeting, which ends today. Mr Sridath Ramphal, Commonwealth Secretary General, described the committee's task as daunting. "Times have worsened for the opponents of apartheid," he said.

The committee will examine the effectiveness of sanctions applied so far and study South Africa's links with the international financial community.

Indian troops crack down on Jaffna rebels

INDIAN troops detained 54 Tamil guerrillas yesterday, taking arrests in a three-day crackdown on Sri Lanka's northern Jaffna Peninsula to 188, Reuter reports from Colombo. A large quantity of arms and ammunition was also seized in the sweep which began on Saturday across the Vadamarachchi region, Indian officials said.

One rebel group forced a strike in Batticaloa district to protest against the arrest of its leaders. Another set off a landmine near Trincomalee under a Sri Lankan army patrol injuring 13 soldiers, military official said.

The independent Sun newspaper said Indian troops were moving in on Velupillai Prabhakaran, Sri Lanka's most wanted rebel leader, but Indian sources said they could not confirm the report.

Bhutto party shuffle

The Punjab Province leadership of the opposition Pakistan People's Party has resigned to enable Ms Benazir Bhutto, the party leader, to restructure it, the party said yesterday, Reuter writes from Karachi.

Philippine poll

Moslem rebels disrupted elections in three towns in the south of the Philippines yesterday in regional polls delayed by fears of violence, AP reports from Manila. Voting also was delayed in Marawi city, 515 miles southeast of Manila, Channel 7 television reported.

S African liberals seek greater unity

BY ANTHONY ROBINSON IN JOHANNESBURG

SOUTH AFRICA'S fragmented "liberal" white opposition parties are seeking closer co-operation against the background of a resurgent right-wing Conservative Party and possible early general elections later this year.

This emerged from a weekend meeting of the Progressive Federal Party executive called to rally the party after its humiliating defeat in last May's whites-only elections. The PFP then lost its status to the CP as the official opposition.

The party suffered its defeat badly, re-awakening discontent among so-called "young turks" with Mr Colin Eglin who resumed the leadership after the surprise resignation of Mr Frederik van zyl Slabbert two years ago.

Mr Ken Andrew, chairman of the PFP's federal council said the party has had several contacts with the two most prominent independent "dissidents", Mr Wynand Malan and Mr Denis Worrall, the former ambassador to London. The two men fought the election together as part of a fledgling Independent Movement but split over policy and personality differences. Mr Malan, a former National Party MP was the only independent to win a seat and is now leader of the National Democratic Movement which hopes to act as a focus for *verligte* or reform-minded Afrikaners and extra-parliamentary groups.

After his exclusion from the NDM leadership Mr Worrall, who narrowly missed defeating Mr Chris Heunis, the Minister for Constitutional Development, ploughed on with plans to establish his own Independent Movement which emphasizes the need to conduct the reform struggle through parliamentary rather than extra-parliamentary channels.

Another 18 blacks lost their lives over the weekend in a series of violent clashes in several townships around the Natal capital of Pietermaritzburg, Anthony Robinson writes. One of the victims, a young woman, had over 100 stab wounds on her body, the police reported. The fighting between rival black political groups has cost over 90 lives this year and over 350 since fighting began 18 months ago.

Parliament re-convenes on Friday with a policy speech by President P.W. Botha. This year's opening is being preceeded by a closed meeting between the President and selected businessmen. It is expected to concentrate on ways to reduce inflation and speed up privatisation and deregulation of the economy.

Good rains and strengthening signs of economic recovery have shortened the odds on snap elections this year. The deciding factor is expected to be the outcome of March by-elections in three Transvaal seats won by the CP in the May elections.

The elections in rural Schweizer-Renecke and Standerton and those in the suburban Johannesburg seat of Randfontein caused by the death of Mr Connie Mulder are eagerly awaited as an indication of whether the Government has managed to stem or turn back the CP onslaught.

US and Peking to limit Chinese textile imports

BY ROBERT THOMSON IN PEKING

THE US is due to sign a bilateral textile agreement in Peking today strictly limiting the increase in China's exports to the US.

The accord will be signed by Mr Clayton Yeutter, the US Trade Representative, who is also certain to urge Peking officials to ease restrictions on US imports.

Tough Chinese import controls helped turn a large trade deficit in 1986 into a small surplus last year, and widened the bilateral surplus with the US from $2.1bn to about $3.5bn. China claims it had a bilateral deficit last year of $1.8bn, but it does not count goods transhipped through Hong Kong.

The textile agreement follows years of rapid growth in Chinese exports to the US, with a 65 per cent increase in 1986 and a rise of about 30 per cent last year. US officials say Peking recognised that "this couldn't go on" and had agreed to put a cap on all categories, combined with a guaranteed annual increase of 3 per cent by volume.

Chinese trade officials made no comment yesterday on the agreement, but the set rate of increase will slow development of the fast growing textile industry, which accounted for about 34 per cent of China's exports to the US last year.

Chinese textile officials have suggested that they will attempt to make up the lost revenue by increasing the quality of product.

Mr Yeutter, who arrived in Peking yesterday, is likely to congratulate the Chinese on their efforts to improve foreign investment, but will suggest that further changes are needed before large-scale US investment can be expected.

He will also highlight Chinese protectionist measures, and defend the restrictions imposed by the textile accord, which was finalised late last year after six rounds of negotiations.

China's leaders will certainly complain to Mr Yeutter about the halt to the US programme to liberalise high technology exports, which has been curbed as part of Washington's response to alleged Chinese Silkworm missile sales to Iran.

Mr Yeutter has already indicated that the US will go ahead with the liberalisation of technology exports when some of the heat leaves the missile sale issue, and he will probably emphasise that China must draw up measures to protect intellectual property.

Though China is not a member of the General Agreement of Tariffs and Trade, Chinese trade officials are again likely to ask to be included in the Generalised System of Preferences which would give its exports preferential access to the US through reduced tariff rates.

NICs 'not' weakened

BY WILLIAM DULLFORCE IN DAVOS

THE TRADING capacities of Hong Kong, Singapore, South Korea and Taiwan would not be significantly weakened by the US decision to withdraw their special trading privileges from next January, Mr Clayton Yeutter, the US Trade Representative, said.

Only 15 to 17 per cent of their exports would be affected and the tariffs imposed would average between 5 and 6 per cent.

Washington has decided to remove the four Asian newly industrialised countries (NICs) from the list of developing nations allowed to export products to the US duty free under the Generalised System of Preferences.

Mr Yeutter, responding to criticism from representatives of developing nations at the World Economic Forum, said the NICs' "graduation" from the GSP reflected their economic accomplishment.

Their ability to penetrate the US market on a sustained basis was reflected in the large surpluses they were running with the US.

On complaints from US companies that removal of the privileges would raise the costs of essential imported components, Mr Yeutter said Singapore, South Korea and Hong Kong could seek to negotiate restoration of duty-free rights

UK-led group wins Istanbul road tender

By Jim Bodgener in Ankara

ISTANBUL municipality has chosen a UK-Turkish-Japanese consortium to build a highway through the city along with a fourth bridge across the Golden Horn at a cost of about $250m, but it still has to overcome treasury opposition.

Co-sponsors of the consortium are the UK's George Wimpey and Tarmac Construction. The consortium includes local companies Enka and Eska, and Japan's Kajima Corporation. Bids for the highway and bridge were returned from nine companies or groups in October.

The choice of the UK-led group for the highway between Besiktas and Samatya is another promising development in the UK contracting push for projects in Turkey. Trafalgar House is expected to launch a strong bid to build a third bridge across the Bosporus on a build-operate-transfer basis when tenders are returned on February 8.

There is no certainty that the Government will sanction Istanbul's choice for the highway. The treasury is against further expensive awards and foreign borrowing by the municipality. Under its mayor Mr Bedrettin Dalan, it has embarked on development programmes which have stretched Ankara's patience.

In the Higher Planning Council (HPC), the country's supreme economic planning body, there is also a strong faction arguing for development cuts and municipalities have come under fire for overspending.

The funding package reportedly comprises a $33m grant from the UK Government, $110m in export credits from the UK and Japan, with the remainder being commercial loans raised in London and Tokyo. The highway consortium's financial adviser is Standard Chartered Merchant Bank.

Construction of the five-mile highway will involve the building of several tunnels and viaducts. The consortium has reportedly asked for a comprehensive cost escalation clause.

Drug groups start Delhi refunds

BY JOHN ELLIOTT, RECENTLY IN BOMBAY

LEADING pharmaceutical companies, including multinationals such as Hoechst, Cynamid and John Wyeth, have started paying the Indian Government about Rs140m ($10.7m) in refunded price rises.

The companies lost a seven-year legal battle against the Indian Government which accused them of over-charging for their drugs.

A total of Rs300m-Rs400m might eventually have to be repaid for a period from 1981-87 by 12 companies. They include Pfizer, Ciba-Geigy and Merind and some Indian-owned businesses.

Another seven companies including Glaxo (recently renamed as Glindia in India), Parke Davis and Reckitt and Colman have similar cases pending in lower courts.

According to the supreme court judgment, Hoechst India, 40 per cent West German-owned, had notified the Government in 1971 that its Baralgan Ketone painkiller bulk drug price was Rs24,735 a kilogram. In 1979 it applied for a much lower figure of Rs3,500, while the government figure, now upheld by the court judgment, was Rs1,810. Hoescht was told to pay Rs56.4m for an initial 1981-83 period and has already paid Rs20m.

Cynamid, 40 per cent US-owned, has been told to pay Rs49.2m for 1981-83 on its tetracycline drug. It is claiming it cannot afford so much because of low profits and has paid Rs5m to show goodwill.

The case is being closely watched by the US Government to see how sensitively India treats multinationals at a time when a significant number of large US companies are considering setting up in India in the electronics, chemicals and others industries.

Some of the pharmaceutical companies have talked of withdrawing from India but they unlikely to do so because most have more profitable allied businesses in areas such as agro-chemicals.

Of 31 pharmaceutical companies in India linked to foreign owners, 24 have reduced their foreign equity to 40 per cent in line with the Foreign Exchange Regulation Act, which technically makes them Indian companies. They feel discriminated against because they are still not allowed to produce the most widely-used medicines.

The price case started in 1981 when the 12 companies complained to the Delhi High Court that prices fixed by the Government under a 1979 Drug Price Control Order, which were lower than those being charged, were wrong because they were based on theoretical norms, not realistic costs.

Ontario's top critic of US trade deal turns to Europe

BY DAVID OWEN IN TORONTO

MR DAVID PETERSON, Ontario's prime minister and one of the most prominent critics of the US-Canada free trade deal arrives in London today for a brief visit. He is laconic about his role in his country's politics.

Mr Peterson has turned the political establishment of Canada's most powerful and populous province inside out since taking office in 1985 at the head of a minority Liberal government.

That election ended 42 years of unbroken Conservative in the province. The next one, held in September 1987, brought the silver-haired 44 year-old Mr Peterson a landslide and the Liberal party its first majority government in Ontario for 50 years.

The result was widely interpreted as giving Mr Peterson a mandate to pursue his much-publicised reservations regarding the then putative US-Canada free trade deal. "Our view is that it is a bad deal," he says. "Any gains are of such marginal utility that they don't outweigh the minuses."

It comes then as no surprise to learn that Mr Peterson's 12-day European jaunt, which also takes in Switzerland and West Germany, is part of a concerted effort to encourage diversification of Ontario's trade flows.

"Even though we are enjoying the most dynamic economy in the industrialised world today," he says,"we are far too dependent on the US market and far too dependent on the automotive industry."

While such sentiments are certainly not new, they are borne out by the figures. The US these days consumes more than three-quarters of Canada's and almost 90 per cent of Ontario's total exports. The automotive sector which is dominated by GM, Ford and Chrysler – the Big Three Detroit-based behemoths – directly contributes close to 20 per cent of Ontario's industrial output.

Ontario trade with UK

	Exports (C$m)	Imports
1982	763	763
1983	697	942
1984	871	957
1985	880	1115
1986	998	1279

Source: MITT

Mr Peterson is also keen to drum up the right sort of foreign direct investment. "We are looking for technological joint ventures," he says. "We are not looking for people to buy up our real estate."

Ironically, one of Mr Peterson's London ports of call, which include, in addition, a meeting with Mrs Margaret Thatcher, the British Prime Minister, will be the extensive Canary Wharf complex which is being developed by the Toronto-based Olympia and York Developments, the family company of the Reichmann Brothers.

He is well aware that his province can ill-afford complacency if its enviably high living standards are to be maintained. "We have done extremely well but it is all being challenged," he warns. "Other people are deadly determined to have their share of global economic prosperity."

Certainly, Ontario's vast storehouse of natural resources has made it tempting for the province to content itself to an unhealthy degree with being a hewer of wood and drawer of water. Trade statistics do much to bear this out.

The three largest components by value of Ontario's close to C$1bn (£442m) of shipments to the UK in 1986 were respectively nickel in ores, concentrates and mattes; platinum metals in ores and concentrates, and copper.

The largest category by far in the C$1.3bn of trade flowing in the opposite direction was industrial machinery. Less than 37 per cent of Ontario's C$2.3bn of exports to the European Community, meanwhile, were categorized as end products. The corresponding proportion of the C$5.3bn of trade flowing the other way was 64 per cent.

Mr Peterson's visit coincides with negotiations between Canada and the EC in the wake of a Gatt panel preliminary ruling that Canadian provinces are guilty of discriminatory practices in the way they control the pricing, listing and distribution of wine, beer and liquor. The negotiations could have serious repercussions for the Ontario wine industry.

Italian soft loan for Java power plant

By John Murray Brown in Jakarta

ITALY has provided a soft loan to build a geothermal power plant in Java after the breakdown of negotiations between Indonesia and Union Oil Company of California (Unocal).

An agreement was signed yesterday in Jakarta to fund first-stage construction of two 55 megawatt geothermal units at Salak in West Java, at a cost of $71m (£40m).

Unocal failed to agree pricing terms with PLN, the Indonesian state electricity utility.

The loan will be repaid over 20 years with a grace period of 10 years and interest of 1.5 per cent. This is within limits set by the Indonesian authorities for soft financing.

The amount will include $8.15m to cover Indonesian costs of the project, a subject which continues to be a matter of contention with other donor countries.

The agreement follows the visit to Indonesia last month of Mr Giovanni Goria, the Italian Prime Minister.

Officials said it underlined efforts by Italy's state export credit agency to gain contracts against competition from other European countries and Japan. Italian domestic banks were until recently prohibited from doing export credit finance.

Unocal's withdrawal from the construction contract highlights the problems of winning private sector support for development of Indonesia's geothermal industry, which accounts for less than 1 per cent of total power generation.

HK port container business up 25%

By David Dodwell in Hong Kong

HONG KONG last year seemed certain to have overtaken New York and Rotterdam to become the world's busiest container port, according to government statistics released yesterday. Throughput rose by almost 25 per cent to reach 3.48m 20-foot equivalent units (TEUs) for the year.

As the ink was still drying on tenders submitted last Friday for construction of terminal seven at the Kwai Chung container port, the Government forecast that if traffic growth continued as expected, commitments on terminals eight and nine would be needed by February next year to keep up with demand.

Mr Gerry Higginson, director of Hong Kong's marine department, said Rotterdam would have needed a 17.5 per cent increase from the 1986 throughput of 2.91m TEUs to retain its place as the world's busiest container port.

While no official figures have been released, Mr Higginson said yesterday he had been informed that Rotterdam officials expected 1987 throughput to have remained at the 1986 level.

Hong Kong's container port was operating at about 16 per cent above capacity, Mr Higginson said. He acknowledged that facilities were "stretched very heavily" following a 22 per cent rise in throughput in 1986 and last year's rise.

"We have been assuming growth of 9 per cent a year, so the last two years of growth have used up five years of planning time and taken us a little by surprise," Mr Higginson said.

Increasing congestion has led to some container vessels waiting for as much as 90 hours for unloading, and has forced more vessels to load or unload at anchorages outside Kwai Chung.

The first berth of terminal six is due to begin operation from the middle of this year. Two further berths are due to be commissioned in 1989, with terminal seven due for completion in 1993. These will double Kwai Chung's capacity to 4.2m TEUs a year.

Ecuador government candidate defeated

By Sarita Kendall in Quito

MR SIXTO DURAN, the candidate chosen by the government in Ecuador's presidential election yesterday admitted defeat after coming third in the first round run-off.

Mr Rodrigo Borja of the Social Democrat Party and Mr Abdala Bucaram, a controversial populist, won through to the second round.

Unofficial results give Mr Borja 20 per cent of the vote in Sunday's first round, and Mr Bucaram 15 per cent. Mr Duran took just 13 per cent.

Despite Mr Borja's first round lead he will have a tough time winning the final run-off between the two candidates on May 8. Mr Bucaram's emotional appeal to the "dispossessed" and his tirades against the corrupt "oligarchy" have already taken hold in his political heartland, the city of Guayaquil. Both candidates have opposed President Leon Febres Cordero's government, and it is not clear who will benefit from the right-wing vote.

The Social Democrats have taken about 27 of the 71 congressional seats, and the remainder are distributed among 10 other political parties. Should Mr Bucaram become president he would almost certainly have to govern with an opposition parliament. Poor relations with Congress have hampered the current administration's programme and caused numerous political deadlocks.

Mr Bucaram returned from exile in Panama last year. Asked whether the armed forces might intervene if he won the election, he avoided any comment.

Both presidential candidates have stressed economic changes and social justice in their campaigning. Mr Borja said recently that Ecuador could not pay the $9.2bn foreign debt under present terms and develop at the same time.

Mr Bucaram, former mayor of Guayaquil founded the Roldosista Party after President Roldos was killed in an air crash seven years ago. He says he will take from the rich to give to the poor.

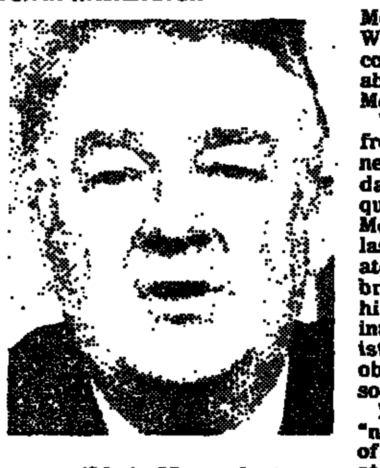
Edwin Meese's ethics again put under scrutiny

BY STEWART FLEMING, US EDITOR IN WASHINGTON

REPORTS that Mr Edwin Meese, the US Attorney General, knew of a proposal by his close friend Mr Robert Wallach to make possibly illegal payments to the Israeli Labour Party, have raised renewed questions about the ethics of a man whose financial affairs have been under continual official investigation since he left the White House to head the Justice Department in 1984.

Mr Wallach reportedly wrote a memo to Mr Meese outlining the proposal to make the payments, a copy of which was found in Mr Meese's files.

The questions about Mr Meese's role in efforts in 1984 and 1985 to put together a private consortium to build a $1bn pipeline from Iraq to the Jordanian port of Aqaba are said to have become a "focal point" of an investigation of Mr Meese by a government appointed independent counsel, Mr James McKay. Mr Howard Baker, the White House Chief of Staff, has confirmed that he was briefed about the investigation by Mr McKay last week.



Edwin Meese: last of Reagan cronies

The reports, which have been front page news in leading US newspapers for the past three days, have raised again the question of whether or not Mr Meese will resign. He is now the last of the friends and associates President Ronald Reagan brought to Washington with him from California and put into top jobs in his new administration in 1981 and few observers expect him to quit soon.

His lawyers are saying that "no actual or potential violation of the law" was brought to his attention, and Mr Reagan is continuing to express confidence in him.

Mr Baker argued at the weekend that for Mr Meese to resign on the basis of newspaper reports would be like "pitching people to the lions without proof . . . I see no reason for the President to take any action unless and until it is made to appear that Mr Meese has done something wrong," he said.

That said, it is clear that the new questions that are being raised about Mr Meese's judgement will be a source of concern to the Republican Party. Highly publicised trials of Government officials, including the perjury conviction in December of former top White House aide Mr Michael Deaver, have made Republicans vulnerable to Democratic charges that the Reagan Administration has paid too little attention to honesty in Government and made "sleaze" an election issue. (Mr Deaver has not been sentenced and is appealing against the conviction.)

The new reports about Mr Meese, however, could provide Democrats with ammunition for a broader attack on the Reagan Administration. Parallels are being drawn for example between the Iran/Contra scandal which undermined President Reagan's credibility last year and the efforts by Mr Meese's associate Mr Wallach to promote the construction of the oil pipeline between Iraq and Jordan.

Among the parallels, which Mr Baker described on Sunday as "intriguing" are the mingling of private business and American foreign policy considerations in a venture in a highly sensitive area of the world.

The reports allege that businessmen involved in promoting the venture tried to use their contacts in the US Government (notably Mr Meese) to help them circumvent the normal channels of decision-making and involve the National Security Council in their efforts to get US government support for the plan.

Mr Baker said on Sunday that he had "no concrete evidence that the Israelis were manipulating our foreign policy."

The Republican Party will have no desire to see these issues, and the parallels with the Iran/Contra affair, debated in public, although such a debate might be more damaging to some Republican presidential candidates, notably Vice President George Bush, than others.

Mr Bush's role in the Iran/Contra scandal is an issue which is dogging his campaign. The Democrats for their part will be watching closely to see how the independent counsel's investigation of Mr Meese now evolves.

Colombia may hold drug curb plebiscite

By Robert Graham in Bogota

PRESIDENT VIRGILIO Barco of Colombia has proposed a plebiscite to allow changes in the constitution as a further move to combat terrorism and the power of the drug barons.

The proposal was discussed yesterday at a special meeting between the President and leading parliamentarians and jurists.

It is in addition to a wide-ranging decree to give new powers to the administration to combat the threat from terrorism and drugs, announced last Wednesday.

President Barco is proposing that voters in next month's municipal elections also vote on whether or not to accept the plebiscite idea. In the past, both house of parliament have been slow to introduce new legislation.

Legislation to curb the drug barons has been hindered by the large number of politicians compromised by their connections with the drug trade.

This has been a major hurdle in approving a new extradition treaty with the US which would permit the leading figures in the drug business to be tried in US courts.

Because the plebiscite threatens to go over the head of parliament, there has already been some resistance to the proposal. But the main opposition party, the Conservatives, has made no formal comment.

The Conservative elder statesman, former president Mr Misael Pastrana, met last week with Mr Barco at the latter's initiative.

This was the first such meeting since the Barco administration took office 18 months ago, when it broke with tradition by governing without any opposition ministers. The meeting has been welcomed as a sign of Mr Barco trying to revive consensus politics in the wake of last Monday's assassination of Mr Carlos Mauro Hoyos, the Attorney General.

Investigators of the assassination now believe Mr Hoyos' death was a bungled kidnap attempt by the drug mafia.

Mexico begins month-long devaluation

By Our Correspondent in Mexico City

A REGULATED slippage of the Mexican peso begins today in which the currency will lose an average of 3 pesos against the dollar every working day this month, devaluing it by a total 2.7 per cent. Mr Miguel Mancera, central bank director announced the move during a weekend seminar sponsored by the National Association of Mexican Importers and Exporters.

The measure applies to the controlled market, which is used for debt servicing and foreign trade and accounts for more than 75 per cent of dollar transactions.

It will please exporters who seek an undervalued peso to retain competitiveness for Mexican products.

Labour movement analysts criticised the move, saying it dealt a blow to the Government's anti-inflation programme, known as the Economic Solidarity Pact.

The measure will put pressure on prices just before the Government is to initiate a form of forward-indexation in March, through which prices and wages are supposed to be kept below an estimate of inflation agreed at the beginning of the month, labour analysts said.

Mr Mancera also announced the central bank ended last year with foreign exchange reserves in excess of $13.5bn, down from the peak level of $14.6bn last September.

David Gardner reports on the latest challenge to the position of General Noriega

Panama's strongman under siege

PANAMA'S MILITARY strongman, General Manuel Antonio Noriega, under siege since last June from his country's opposition, the private sector, and the US administration, and heading for a cash crunch, now faces a potent threat from within the dwindling ranks of his own supporters.

Mr Jose Blandon, a key adviser to this regime and its popular predecessor led by the late General Omar Torrijos, has called openly on Gen Noriega to surrender leadership of the 15,000-strong National Guard which *de facto* rules the country. Mr Blandon last week threatened to provide the evidence being sought by US investigators trying to tie the general to illicit drugs activities unless he steps aside.

The "Blandon Plan", as it is now known in Panama City and Washington, has US endorsement. It envisages a provisional government under the current figurehead president, Mr Eric Arturo Del Valle, which would take charge in April if Gen Noriega agrees to step down.

In addition, all Guard officers who have served more than 25 years would be retired – clearing away the clique around Gen Noriega. The military would surrender its lucrative control of ports, airports and customs, an independent judiciary and electoral tribunal would be established, and full freedom of assembly and the press would be restored.

Mr Blandon is the latest in a series of prominent regime dissidents who have deserted Gen Noriega without dislodging him.

Last June's business-instigated strikes, lock-outs and riots against the regime were sparked by explosive accusations from Col Roberto Diaz Herrera, hitherto number two and Gen Torrijos' cousin. Col Diaz, now in exile in Venezuela, claimed he could prove much of the corruption attributed to Noriega inside Panama and by the State Department is a campaign of leaks to the US press. This included his alleged involvement in arms and drugs trafficking, electoral fraud, and the murder of dissident *Torrijista* Hugo Spadafora, whose decapitated body was found near the Costa Rican border in 1985.

Mr Blandon, by contrast, poses a challenge the General cannot lightly dismiss.

To begin with, Mr Blandon has provided convincing evidence that he was empowered by Noriega himself last September to negotiate an honourable exit for him with the US State Department, which since last summer has overtly sought the Guard commander's downfall.

But the wily Noriega, it seems, had second thoughts. Earlier this month, Mr Blandon was summarily dismissed from his formal position of Panamanian consul general in New York.

Mr Blandon, a political and intelligence adviser to the National Guard since 1971

General Noriega

(when Noriega became head of G-2, military intelligence) with a network of followers on the populist, *Torrijista* left of the PRD, swiftly counterattacked. He revealed the details of his plan, started leaking cables exchanged with Gen Noriega during its genesis, and, most damaging of all, he has threatened to reveal the regime's most compromising secrets.

Mr Blandon probably knows more about the regime than anyone except Noriega himself. He is an acknowledged master conspirator in a country with a world class reputation for intrigue.

What is not clear is what effect Mr Blandon's manoeuvres are having within the military. PRD leaders argue that his plan to retire virtually all senior officers has solidified Guard unity around Noriega, while more detached observers suggest that precisely this measure could win support from younger officers who now see their promotion prospects blocked.

Pressure on the Guard commander has meanwhile risen to unexampled levels.

Confidence in Panama's three quarters service-based economy, based on the free transit of ships through its canal, of a $4.4bn volume of goods through its free trade zone, and of money through its banks (where booked assets have fallen $9bn since the crisis began), is fast ebbing.

By next month, Panama will run out of money, according to Mr Ricaurte Vazquez, the Planning Minister. It now has only between $70m and $80m in total treasury reserves, and as a dollar economy has no means of either printing money or devaluing. Panamanian banks during the political crisis have lost half their liquidity and any further calls on them could trigger a rash of closures.

The country cannot service the $5bn foreign debt and it is already $52m in arrears. It has no 1988 budget and projected income just sufficient to cover current spending. It has no aid and no credit coming in. The US has cut off all funding and overtly set about trying to sever all inflows.

The opposition press, closed since July, reopened 10 days ago *firing from all barrels*. On December 30 Washington sent a senior Pentagon official to tell Noriega it backed the "Blandon Plan" and wanted him out.

The general had hitherto persuaded his colleagues to disregard what he portrayed as State Department machinations against him because the defence and intelligence establishment would not risk jeopardising the strategic Southern Command installations in Panama, the US's command centre for Central America with 10,000 troops to protect the Panama Canal.

But Washington is now speaking unequivocally with one voice, and its tone has more than a trace of the Reagan Administration's obsession with Nicaragua and revolution in Central America.

Well-founded allegations that Gen Noriega armed Colombia's M-19 guerrillas, for example, have been around since at least 1982 and the US could hardly have been unaware of them. But Washington now has a different attitude and would seem to be acting on it in Panama. What makes it doubly different is that this issue in this form has emerged here in Central America and El Salvador where this administration said it was "drawing the line" against communism in 1981.

Ford pay peace hits opposition on factory floors

BY CHARLES LEADBEATER, LABOUR STAFF

FORD Motor's three-year pay and conditions offer to its 32,500 manual workers was yesterday facing mounting shopfloor opposition. A national strike was narrowly averted on Sunday night after union negotiators agreed to recommend that workers accept the deal.

Union negotiators recommended the package after the company agreed to increases of 2.5 per cent above the rate of inflation for the past two years of the deal, up from an earlier offer of rises exceeding inflation by 2 per cent. The offer for 1987-88 was unchanged at 7 per cent.

The strike had looked set to proceed when talks broke down last Thursday after the unions rejected the earlier offer.

While all unions said they were bound by the negotiating team's decision, it seems almost certain that shop stewards at both major plants, Halewood in Liverpool and Dagenham in east London, which together employ 20,000 manual workers, will make separate recommendations that the offer be rejected.

The Bridgend and Swansea plants in south Wales, which voted for industrial action by more than 95 per cent, are also thought likely to vote against the offer, officials said.

The deal would be likely to be rejected if it is also opposed by workers at the Basildon tractor factory and the Southampton van plant, both in southern England.

Opposition from Transport and General Workers' Union stewards, who represent production line workers, is significant since union officials believe that Ford thought the support of the TGWU's 21,000 members would carry the deal, despite opposition from the company's approximately 9,000 skilled workers. Skilled workers will be most affected by the company's proposals for changes to working practices.

A recommendation to reject the offer is also likely from stewards of the AEU engineering union, representing skilled and unskilled workers, along with Tass and the EETPU electricians' union, representing only skilled workers.

Union officials said hostility towards the offer would be fuelled by what they described as the company's mishandling of the final stages of negotiations on Sunday night.

The company told the unions that its improved offer would be withdrawn if the unions put it to a ballot without a recommendation to accept.

In the unions' negotiating team's first vote, 33 were against recommending the offer with 18 in favour. Had the unions stood by that vote the national strike would almost certainly have gone ahead. After this was made clear, the team decided to recommend the deal by 25 votes to 18, with most full-time officials abstaining.

Kieran Cooke in Dublin previews today's meeting of the Anglo Irish conference

Minister faces grilling from Irish

MR TOM KING, the Northern Ireland Secretary, faces tough questioning today when he faces Irish ministers at a special meeting in Belfast of the Anglo-Irish conference, the body set up under the terms of the 1985 Anglo-Irish agreement which gives the Irish Government some say in the affairs of the North.

At issue is the announcement last week by Sir Patrick Mayhew, the Attorney General, that no prosecutions would be made against officers of the Royal Ulster Constabularly following an inquiry into allegations that sections of the RUC were involved in a shoot to kill policy in 1982.

These allegations led to an inquiry initially conducted by Mr John Stalker, formerly chief constable of Manchester. Mr Stalker was replaced in controversial circumstances in 1986 by Mr Colin Sampson, chief constable of West Yorkshire.

On Monday last week, Sir Patrick said that no prosecutions would be pursued against any RUC officers despite evidence unearthed in the inquiry of a conspiracy to pervert the course of justice. Sir Patrick cited reasons of "national security" for not prosecuting.

Sir Patrick's statement has caused anger both among the minority Catholic nationalist community in the North and also in Dublin, where a government spokesman has described it as a breach of the 1985 agreement.

The Irish side at the Belfast meeting will be represented by Mr Gerry Collins, the Minister for Justice, and Mr Ray Burke, the Minister for Energy.

Mr Collins has made the strongest statement so far on Sir Patrick's announcement, saying that the Attorney General, by failing to press charges against RUC officers known to have been involved in attempts to subvert the course of justice, had shown he was "unfit to hold office."

Mr Collins' remarks led to a British complaint but they have so far not been withdrawn.

While Mr King has said that disciplinary action could still be taken against some RUC officers, the Irish Government will be asking exactly what interests of "national security" persuaded Sir Patrick and the Director of Public Prosecutions in Northern Ireland not to prosecute. They are also likely to ask for full details of the Stalker-Sampson report.

The Irish Government clearly feels that London has run against vital parts of the Anglo-Irish agreement, in particular sections which call for measures to improve relations between the nationalist community in the North and the security forces, and those which talk of increasing confidence in the administration of justice in the province.

Some Irish politicians have called for a complete review of the Anglo-Irish agreement.

Armed police outside the Old Bailey criminal court in London where IRA bomber Patrick Magee yesterday had his appeal against conviction for the 1984 Brighton bombing quashed.

Woolworth offshoot 'target of bugging during takeover bid'

BY RALPH ATKINS

A SECURITY consultant engaged by Dixons, the electrical retailer, was behind illegal telephone tapping of the buying director of Comet, a Woolworth Holdings subsidiary, it was alleged at Luton Crown Court yesterday.

Mr Michael Anderson, managing director of Cornhill Management Consultants, was accused of paying two men to intercept telephone calls at the home of Mr Peter Hopper, at Aspley Heath, Bedfordshire. He was also linked to inquiries into the private lives of Woolworth executives at the time of Dixons' attempted takeover of the company in 1986.

Mr Anderson, 43, has pleaded not guilty to a charge of conspiring to intercept communications in the course of transmission by the public telephone system between July 1 1986 and November 15 1986.

Mr William Coker, prosecuting, said Mr Anderson's company provided a variety of security services, including surveillance.

During April 1986, soon after Dixons launched its £1.8bn bid for Woolworth, Mr Anderson provided "intimate and detailed investigations" into the lives of Mr Geoffrey Mulcahy and Mr Nigel Whittaker, chief executive and executive director respectively of Woolworth Holdings, Mr Coker said.

"Why that information was required and why Mr Anderson obtained it is not a question you will have to answer in this trial," Mr Coker told the jury.

In August 1986, after the takeover bid had failed, Dixons became concerned about former employees, including Mr Hopper, who had left to join Comet. "As events were to show, Mr Anderson was requested to investigate the activities of Mr Hopper and indeed did so."

He said Mr Anderson paid two men, Mr Terry Rowe, 42, of Leigh on Sea, Essex, an electrician, and Mr Terence Franklin Rowe, also 42, of Basildon, Essex. Both men have pleaded guilty to the same charge faced by Mr Anderson.

A telephone bug near Mr Hopper's home was discovered in October 1986 by a British Telecom engineer. It was buried in a biscuit tin wrapped in a plastic bag at the bottom of a telegraph pole and connected to the line by a cable.

The two Rowes were arrested in November 1986. Police evidence, Mr Coker said, linked the men to Mr Anderson who was arrested later. Notes kept in Mr Anderson's day book and diary, *he claimed*, suggested news of the bug's discovery had been quickly passed to him.

The case continues today.

Nurses' chief cool on pay assurance

BY DAVID BRINDLE, LABOUR CORRESPONDENT

THE GOVERNMENT would fully implement and fund any salary increases recommended by the nurses' pay review body provided there were no "clear and compelling" reasons not to do so, Mr John Moore, Social Services Secretary, yesterday told leaders of the Royal College of Nursing.

Mr Trevor Clay, RCN general secretary, warned against reading too much into Mr Moore's assurance on the pay award. He said: "I have to say they are words we have heard before in years when the Government has not funded it."

Mr Moore's assurance, though qualified, went far beyond anything Mrs Margaret Thatcher, the Prime Minister, has said when tackled on the nurses' pay issue during the present crisis over the National Health Service.

It came on the eve of the start today of three days of strikes and other protests by members of the TUC-affiliated health workers' unions and by some RCN members intent on defying their union's no-strike policy.

Private opinion surveys being undertaken for the National Union of Public Employees suggests the unions can claim heavy public support for their stand.

However, Mrs Thatcher has both in Parliament and in recent interviews refused to be drawn to make any commitment on pay.

Trevor Clay: 'words we have heard before'

The RCN told Mr Moore yesterday that the NHS needed a cash injection of just over £1bn, plus funding for pay. Mr Clay said later: "I *think* that money will be forthcoming at the end of the day."

The minister will today meet leaders of the TUC health unions, including Cohse, which yesterday called for a £2.5bn boost for the health service.

Nurses in revolt, Page 8

Coal production brought to standstill by strike

BY CHARLES LEADBEATER, LABOUR STAFF

THE COAL industry was yesterday hit by the most serious industrial disruption since the end of the 1984-85 miners' strike when production was brought to a standstill at all but two of British Coal's 103 collieries by a 24-hour strike by mine deputies over the corporation's 1987 pay offer.

The strike, by about 10,000 deputies, who have statutory responsiblity for ensuring safety underground, meant thousands of miners were sent home. Under mines and quarries legislation miners cannot go underground unless attended by a qualified deputy or manager.

It is thought the corporation lost output worth about £5m as a result of the strike. Production is likely to be disrupted today as deputies and miners clear up a backlog of maintenance and safety work.

The national executive of Nacods, the deputies' union, will meet today, to consider whether further action should be called. The union will continue with the overtime ban it started at the weekend.

An ironical twist, Page 8

Aviation data control awarded to GM offshoot

BY DAVID THOMAS

THE CIVIL Aviation Authority has handed over the running of much of its computer network to Electronic Data Systems, the computer services subsidiary of General Motors of the US.

The move is believed to be one of the first times a central government organisation has contracted out the running of its computer network.

EDS, which had worldwide revenues of $4.4bn in 1986 and has been eager to increase its business in Europe, specialises in running voice and data networks for its customers, known as facilities management.

The CAA contract, which runs for seven years, is EDS's third big facilities management contract in the UK. The others are with Unilever, the Anglo-Dutch food group, and Vauxhall, a General Motors subsidiary.

Under the terms of the deal, which applies only to the CAA's adminstrative computing, not to air traffic control, EDS will manage changes to the authority's computing strategy and then run the new network.

Until now, the authority's computer strategy was based on mainframes supplied by ICL, the UK computer company. In future, it will revolve around minicomputers and departmental computing based on IBM systems.

This change in strategy, together with the move to contracting out, was recommended by Coopers and Lybrand, the consultants. In the longer term, the new approach might allow the authority to form a common network with other aviaition authorities.

The CAA said that the new approach would be more efficient, but it was unable to quantify this claim. As part of the change, about 40 staff will join EDS from the CAA.

The authority did not put the contract out to tender, but it had considered Hoskyns and CMG, two other computer services companies, as candidates for the contract, whose value it refused to specify.

Mr Floyd Trim, EDS managing director in the UK, said the contract was an important milestone in building up the company's business in Britain. He added: "Companies are increasingly focusing on their core business activities and contracting out their peripheral activities such as IT to specialist suppliers."

Call box service worsens

BY DAVID THOMAS

BRITISH Telecom's call box service continues to deteriorate, according to the latest monthly survey carried out by the company and the the Office of Telecommunications, the industry's regulatory body.

BT and Oftel began to publish regular monthly surveys of call box availability in the autumn following mounting complaints.

Of the 7,421 call boxes surveyed between December 12 and January 8, 72.4 per cent were working. This compares with 77.2 per cent in the previous monthly survey and 75.8 per cent in the month before that.

BT has told Oftel that the deterioration in service during the latest survey was due to staffing difficulties over Christmas.

Professor Bryan Carsberg, Oftel director general, said strong action was needed for BT to meet its target of 90 per cent serviceability by the end of March.

In the latest survey, 72.1 per cent of call boxes were working in England; 72.6 per cent in Northern Ireland; 74.4 per cent in Scotland; and 73.3 per cent in Wales.

LAWYERS 'FAILING TO PRACTISE EQUALITY'

Women accelerate legal brain drain

BY RAYMOND HUGHES, LAW COURTS CORRESPONDENT

WOMEN SOLICITORS may have equality under the law but they are far from achieving equality in their own profession. That is the conclusion of a working party on women solicitors' careers set up by the Law Society, the profession's governing body.

Discrimination and the reluctance of a male-dominated profession to help women solicitors balance their family responsibilities with their careers are seen as major reasons for the fact that many women are leaving the profession at a time when it is suffering a recruitment crisis.

The past 10 years or so have seen a marked increase in the number of women law graduates – 46 per cent of the total in 1986 as against 30 per cent in 1977 – and in 1986-87 for the first time a higher proportion of women than men passed their final law examinations.

Statistics suggest, however, that many new entrants will find no incentive or encouragement to remain on. Only 34 per cent of women who entered the profession in 1977 are now partners, compared with 68 percent of men. A career structure survey carried out last year showed that only 56 per cent of the women in the 1977 intake are still working fulltime, compared with nearly 100 percent of the men.

Ms Linda Packard, chairman of the working party, said yesterday that it was in the interests of both the profession and the public that there should be greater flexibility in the profession to enable women to have children without sacricing their careers.

The working party recommends a series of radical measures to improve the situation. They include allowing women to work part-time, both as assistant solicitors and, more controversially, as partners.

"This," the working party says, "clearly upsets the traditional view of a partner as being full-time and working all necessary hours to ensure the profits of the firm. However, there is no reason why a partnership deed could not be drafted so that profits reflect time spent on the firm's work – just as in some partnerships profits relate to capital introduced."

Other recommendation are for job-sharing, career breaks - the working party cites the big banks and the health service as organisations operating retainer schemes for women – provision for maternity leave and pay in partnership deeds, and refresher courses to enable women to bring themselves up to date on developments in law and legal practice after leaving to have children.

The working party is also asking the Law Society to attempt to persuade the Government to legislate for tax relief for child care expenses for women solicitors returning to work.

The report of the working party will be sent to the 127 local law societies – only seven of which have women presidents – and to the Law Society's ruling council, three of the 70 members of which are women.

Toy industry plays hunt the next craze

BY MAGGIE URRY

CHILDREN under 14 not allowed, said the leaflet for the British International Toy and Hobby Fair.

That promise alone makes a visit to Earl's Court, London, bearable. Had the little monsters themselves been let loose on toys ranging from the cringingly cute to the realistically violent, there would have been a riot.

Even so, the sight of 500 exhibitors trying to entice adults was almost too much for one brought up to play for hours with a cotton reel and piece of string. Just like children, the buyers seem to avoid the toys adults would like them to have – the educational or beautifully made wooden ones – and are drawn to the tackiest.

US company Coleco showed talking Cabbage Patch dolls, which are almost irresistibly repulsive. With a 450-word vocabulary, an ability to sing and chuckle when tickled, they can also refuse to talk when requested. "She's shy," said the demonstrator.

Elsewhere, Heart-to-Heart Bears, in sugar-sweet pink or blue nightgowns, have beating hearts activated by pressure on the chest. Intended for the smallest children, they introduce cardiac arrests to the nursery.

An unhealthy interest in the inner workings of the human body is also necessary to play DNA (in this case meaning Deadly Nucleus Attack) billed by Conscious Games as "the board game of true Life and Death." A war is fought between white corpuscles and "foreign bodies" on a board which resembles a plate from Gray's Anatomy.

Yet, the encouraging impression gleaned from the fair is that the new toy to replace fizzled-out crazes like My Little Pony has yet to appear.

Meanwhile traditional, and much cheaper games, are in the ascendant. A stand showing kaleidoscopes is surrounded by people saying: "I haven't seen one of those for years."

Lego still seems to offer the best aid to imagination with sets to build a forest or a space station. Jigsaw puzzles are the most prominent feature on UK company Waddingtons' stand, and apparently still make up about half the turnover.

For adults, Orgy, a Roman feast game, is "guaranteed to break the ice at any party" and "can include eating, drinking and kissing etc." It sounds even sicker than the children's toys.

Station fire inquiry to examine management of London Tube

BY KEVIN BROWN, TRANSPORT CORRESPONDENT

THE INQUIRY into the fire at King's Cross railway station, London, on November 18 last year, which killed 31 people, will consider the funding, management and staffing of the London Underground as well as the immediate causes of the fire.

Mr Roger Henderson, QC, the counsel to the disaster inquiry, said these were among 44 questions to be considered by Mr Desmond Fennell, the inspector, and four technical assessors.

Opening the inquiry, Mr Henderson said most of the questions dealt with the probable cause of the fire; how and why it spread; and the actions taken by Underground staff, police and firemen.

But he said the inquiry should also look at the management structure of London Underground, the allocation of responsibilities for safety, whether the system was satisfactory, and whether duties were properly discharged.

Mr Henderson said staffing issues were germane to the inquiry where they were related to fire hazards, but not otherwise.

Mr Henderson gave a detailed chronology of the progress of the fire, which technical investigations have indicated was probably started by a match dropped under an escalator on to a mixture of grease, fluff and dust.

He said the fire probably began at about 7.20pm, and the "flashover" into the ticket hall where most of the victims died took place about 26 minutes later.

The inquiry, which is expected to last three months, has already taken statements from 500 witnesses, and 200 more are expected.

Bank named for steel flotation

BY NICK GARNETT

SAMUEL MONTAGU, which has been giving the Government preliminary advice on the privatisation of British Steel, was formally appointed yesterday as merchant bank advisers for the flotation.

Rowe and Pitman, the corporate finance arm of Warburg Securities was appointed as Government brokers as part of the same announcement from the Department of Trade and Industry.

The company will perform the stockbroking function, advising the Government on the pricing and structure of the share issue and the date for privatisation which has been pencilled in for the end of this year or the first quarter of 1989.

In a joint appointment yesterday by the Government and British Steel, Coopers and Lybrand was named as the reporting accountants for the flotation.

One of the tasks of Coopers and Lybrand will be to prepare within the next three months an internal background report for the benefit of Government ministers and corporation management before the draft prospectus – on which the sale will be based – is drawn up.

Coopers and Lybrand will also provide advice and vetting of financial information for the prospectus and might be asked to give advice on the corporation's working capital requirements.

Samuel Montagu was originally appointed after an open competition in February last year to give preliminary advice

Managers plan buy-out from J2T consortium

BY TERRY DODSWORTH

A TEAM of six senior managers from the UK video cassette recorder plant owned by the European J2T consortium are planning a buy-out in an effort to avoid closure of the facility.

J2T announced last week that it was planning to withdraw from the plant at Newhaven, on the south coast of England, to reduce costs.

It said that the group was in an "unacceptable financial position" caused by excess global capacity in video recorder manufacturing and low-priced imports from the Far East.

All the managers have been long-term employees with the consortium, which was launched in 1982 by Thorn of the UK in combination with Thomson of France and JVC of Japan.

Thorn sold its share in the joint venture a few weeks ago as part of its withdrawal from the consumer electronics industry.

Since then, Thomson and JVC have reappraised the operation and decided to concentrate production at two plants run by J2T in Tonnerre, south of Paris and West Berlin.

The management team has been assured of the backing of J2T and is planning to continue supplying the consortium with printed circuit boards from Newhaven.

In Brief

Bayer back in drugs industry association

Bayer, West German drugs company, has been readmitted to the Association of the British Pharmaceutical Industry following a year-long expulsion for unethical behaviour, *writes Peter Marsh.*

The 1986 expulsion resulted from activities in 1983-84 when Bayer's UK sales force had offered inducements to doctors in a bid to increase the number of prescriptions of heart drug Adalat.

Mr Bernd Aundrup, UK director of Bayer's pharmaceutical division, said he had tightened discipline in the group's sales staff. The ABPI said it had audited the company's sales activities and was happy it was complying with its code.

Hamleys 'not for sale'

Sir Phil Harris, chairman of Harris Queensway, the furniture and carpet retail group, dismissed suggestions that its Hamleys toy chain was for sale. Harris Queensway bought Hamleys from the Burton group in August 1986 for £30m.

Weinburger knighted

Mr Caspar Weinburger, US Defence Secretary, has been awarded an honourary knighthood for "services to British interests," the Foreign Office said. He will not be entitled to call himself "sir" because he is not a British subject.

Toying with fashion

Fisher-Price Toys, UK subsidiary of Quaker Oats, plans to move away from making its traditional range of pre-school toys and towards the more volatile fashion toys market. The group says the move results from rising competition in the pre-school market.

Top Birmingham job

The Birmingham heartlands project, which aims to regenerate 2,000 acres of rundown land in the midland city's centre, has appointed Mr Alan Osborne, 60-year-old chairman of Tarmac's construction division, as chief executive.

Biotechnology venture

A syndicate of venture capital funds led by Guinness Mahon Development Capital is investing £1.75m in a biotechnology start-up in Livingston, near Edinburgh. Additional grants and loans will give the new company, Bioseparation Associates, total funding of £3.5m. The group plans to process abattoir blood for biotechnology markets.

Kitchen concerns

Kitchen appliance makers could suffer if electricity board showrooms were sold off separately in the planned privatisation of the electricity industry, said manufacturers' association Ameda. The 896 showrooms account for 10-15 per cent of the UK appliance market.

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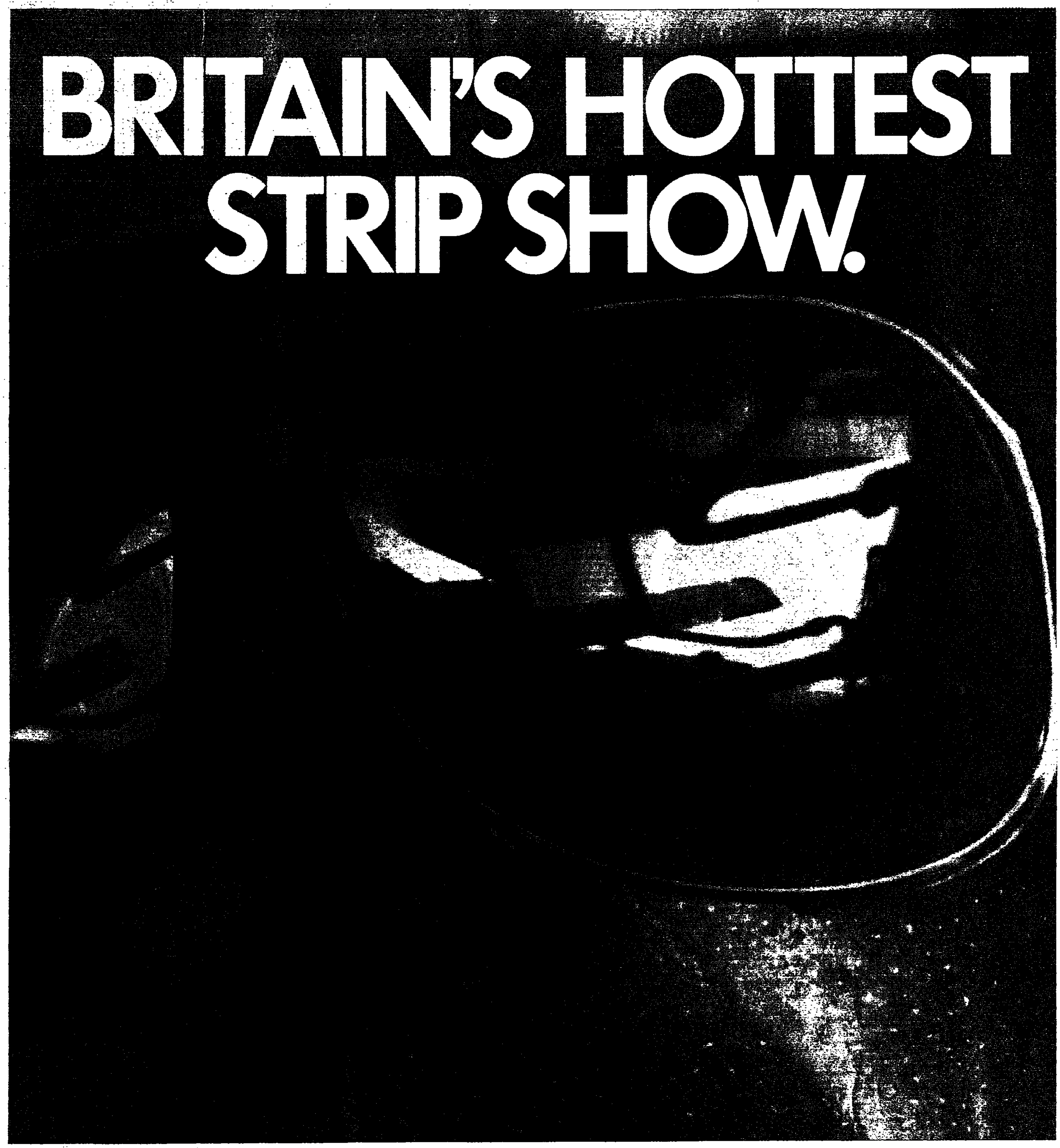

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In shape for things to come

Tories welcome move on Britoil

BY TOM LYNCH

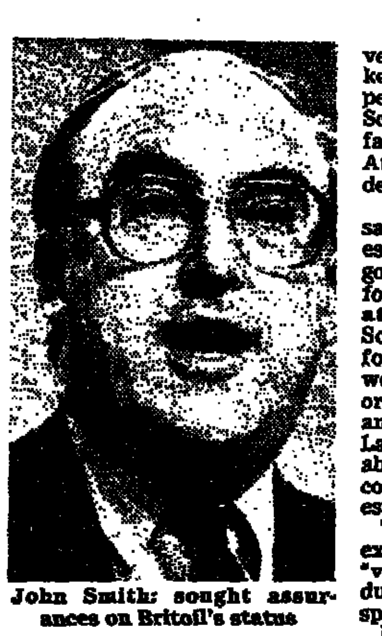
TORY BACKBENCHERS yesterday welcomed Government indications that it was prepared to allow BP to assume control of Britoil, the Glasgow-based North Sea oil exploration company.

However, Labour MPs argued that the controlling "golden share" the Government retained in Britoil after the company's privatisation had been intended to ensure that it remained independent.

Mr John Smith, the shadow Chancellor, said the Government had set up the golden share mechanism as "a formidable obstacle" to any bid for control of Britoil. He said BP had gone ahead with its bid for Britoil as if that obstacle was not there.

Mr Nigel Lawson, the Chancellor, who was Energy Secretary when Britoil was privatised in 1982, quoted from his Commons speeches of that year to stress that he had told the House several times that the objective of the golden share was to deter any unacceptable bidder – the possibility of an acceptable bid had been envisaged.

He rebuffed Labour appeals to take account of the 20 per cent stake in BP held by the Kuwait Investment Office, because "BP is most certainly British and will remain so".



John Smith: sought assurances on Britoil's status

Government supporters rallied behind Mr Lawson to argue that BP was an acceptable bidder for Britoil because the company would remain under British control.

Mr Tim Smith (C, Beaconsfield) said the object of the golden share had been to prevent foreign control rather than keep Britoil independent in perpetuity. Sir Michael Shaw (C, Scarborough) said it was "satisfactory" that a foreign bidder, Atlantic Richfield, had been deterred.

Mr Ian Gow (C, Eastbourne) said the Opposition's sole interest in the 1982 debate on the golden share had been to block foreign ownership and Mr Jonathan Aitken (C, Thanet South) asked whether the forthcoming talks with BP would take the form of "a vigorous wrestling match or tea and sympathy". He told Mr Lawson: "It is almost inconceivable that BP ownership can be contrary to the national interest."

The Chancellor told him he expected the talks would be "very hard negotiations conducted in an amicable atmosphere".

Mr Smith led Labour protests that the creation of an independent British operator in the North Sea had been one of the prime objectives in Britoil's privatisation.

He asked Mr Lawson whether BP would be an acceptable owner and challenged him to "say emphatically you will use your special share to retain Britoil as a wholly independent company, as independent in every way as it was before the BP bid was launched".

Failure to ensure Britoil's independence, would "prove that, once again, privatisation leads to the bolstering of monopoly".

Mr Ted Rowlands (Lab, Merthyr Tydfil and Rhymney) said Britoil's privatisation had been intended "to create a bright, new, independent British oil company in the North Sea. What price now that independence?"

Mr Lawson told him: "I remain anxious to have the best possible development of the UK continental shelf.

"It is not my impression that has to be secured by Britoil remaining unconnected from BP".

When Mr Bruce Millan (Lab, Govan), a former Scottish Secretary, said the directors and staff of Britoil were opposed to BP control and asked for assurances that the company's head office would remain in Scotland, Mr Lawson said the Scottish dimension was "very important".

The Chancellor taunted Mr Smith and his Labour colleagues about their scepticism over BP as a buyer for Britoil.

Government challenged over RUC chief

BY TOM LYNCH

THE GOVERNMENT was yesterday challenged to say whether Sir John Hermon, Chief Constable of the Royal Ulster Constabulary, would be disciplined for allegedly hampering the police inquiry into allegations that the security forces operated a "shoot-to-kill" policy in 1982.

Mr Kevin McNamara, the shadow Northern Ireland Secretary, called for an emergency debate on "the need for urgent action by the Government in the light of new information concerning the Stalker-Sampson investigation in Northern Ireland".

He referred to last week's statement by Sir Patrick Mayhew, the Attorney General, that no prosecutions would be brought in spite of evidence that there had been attempts to deflect the inquiry, and the further statement by Mr Tom King, the Northern Ireland Secretary, that disciplinary action may be brought against some officers.

In view of a meeting today of the intergovernmental secretariat set up under the Hillsborough Agreement between London and Dublin, Mr McNamara called on Mr King to explain the Government's "mind-boggling decisions".

He told MPs that Sir John had asked Mr John Stalker, then the deputy Chief Constable of Greater Manchester, to conduct the inquiry but had later denied him information. It was important to know whether he was going to be disciplined.

Mr McNamara said another officer had refused to give Mr Stalker access to a file or to pass his request to Sir John, and another had falsely denied the existence of a file for three months. He demanded to be told if they were to be disciplined.

He also urged the Government to confirm that there had been a tape recording of one of the shooting incidents and to say whether it was handed over to the inquiry and whether it still existed.

"These are important matters. They go to the root of our relations with the Republic of Ireland, our allies in the most important fight we have in these islands, the fight against terrorism. The integrity of ministers and the integrity of the police are at stake."

Mr Bernard Weatherill, the Speaker, rejected the application for the emergency debate, and the same fate was suffered by Mr Chris Mullin (Lab, Sunderland South) who called for a debate on the upholding last week by the Appeal Court of the conviction of six men for the bomb outrage in Birmingham in 1974 in which 21 people were killed.

Mr Mullin, who has written a book about the case, reiterated his view that "these people are entirely innocent and were not involved in this or any other bombing and were not members of the IRA".

He said a debate would give MPs an opportunity to test his assertion that the real bombers were living free in Ireland. Tories called out: "Who are they?"

Mr Mullin said a debate would also allow MPs to discuss the state of the Government's forensic service in the light of the retirement of the main prosecution witness at 51 on the grounds of "limited effectiveness" and whether convictions should be allowed on uncorroborated confessions.

MPs had been unable to discuss the matter under the *sub judice* rule while the Appeal Court case was under way. An appeal to the House of Lords was now possible, and he feared that the *sub judice* barrier might operate during that case also.

"This case will not go away. It will haunt our judges and politicians," he said, adding that it was difficult to persuade judges to admit that the judiciary had made a mistake.

Seething in the shadow of the guillotine

THE LABOUR Party has often been accused of flabby opposition in the Commons, particularly on a Monday when some MPs are still travelling in from remoter parts of the country.

But the charge could not be levelled yesterday when the Labour benches were seething with frantic activity. John Smith, the shadow Chancellor of the Exchequer, put down a private notice question calling on the Government to use its "golden share" to protect Britoil from takeover by BP.

This resulted in some vigorous sparring with Chancellor Nigel Lawson who, as is his wont, quoted at length from the small print of his earlier statements on the topic and cheerfully hurled a few insults at the Opposition.

We then had no less than four Labour attempts to get emergency debates on a variety of topics. Kevin McNamara, Labour's Northern Ireland spokesman, wanted a debate on new information about the Stalker inquiry into the Royal Ulster Constabulary. Tony Benn raised the latest strike in the mining industry and the threatened industrial action by nurses.

Chris Mullin demanded a debate on the rejection of the appeal by the men imprisoned for the Birmingham bombing and Norman Buchan spoke of an allegation that the Prime Minister had intervened to change the procedure for school closures in Strathclyde.

All of these requests were unsuccessful and all the speakers went on at inordinate length. "One more sentence," warned the Speaker, Bernard Weatherill, as he tried to halt Mr Buchan in full flood.

"Yes, but with a minor subordinate clause in it," pleaded the Labour backbencher before racing on for extra time.

From the Labour benches Harry Ewing raised a matter concerning the Tory member for Perth and Kinross, our old friend Nicholas Fairbairn, Baron of Fordell. Mr Ewing was worried

PARLIAMENTARY SKETCH

about reports in the tabloids that Fairbairn's extensive wardrobe of designer suits had been accidentally destroyed.

He had read that one of the suits costing £1,500 had been made by the Speaker's family tailoring firm and did not want the public to get the impression that all MPs could afford such luxuries.

Mr Weatherill assured him that he no longer had any connection with the family firm. However, if it was charging those sort of bills he might seriously consider taking up a second job.

For most of the afternoon the Labour indignation was genuine enough at what left-winger Tony Banks called "the bloated arrogance" of the Government. But this was hardly the case when we moved on to the debate on the Government's decision to bring down the guillotine to control debate on the Education Reform Bill.

The dreaded guillotine has been used frequently by successive governments and invariably provokes wails from the Opposition of the day about an unacceptable curtailment of parliamentary freedom.

John Wakeham, Leader of the House, is a newcomer to the job of chief executioner. It was, he explained, the first guillotine motion he had moved but at the same time it was the most generous *timetable* offered for any bill for the past 20 years.

His opposite number on the Labour benches, the ferocious Frank Dobson, ignored him and concentrated on heaping insults on Kenneth Baker, the urbane Education Secretary.

According to him, it was all to do with the inordinate ambition of Mr Baker to succeed Mrs Thatcher as Prime Minister. He fawned upon the lady in No 10 and flattered himself. If this wasn't enough he also had 38 press officers in his department to flatter him.

Frank got quite carried away. He found Mr Baker guilty of "ambition and spite" but refrained from using the word hypocrisy because it would be out of order.

Throughout this torrent of abuse Mr Baker relaxed on the Government front bench and showed his unconcern by continuing to beam his famous smile at his tormentor.

JOHN HUNT

David Brindle on the pre-strike mood of hospital staff

Nurses in revolt over many issues

IT IS said, unkindly, that many of the nurses planning to join the unprecedented series of protest strikes beginning in hospitals today have no clear idea why they are doing so.

Asked why they are in revolt, nurses produce a wide range of explanations ranging from local staff shortages to government ministers' attitudes towards the National Health Service.

Mr Trevor Clay, general secretary of the Royal College of Nursing, said yesterday the issue had nothing to do with pay. Yet it seems that many nurses think that is precisely what it is about.

None of this is to suggest that the nurses are acting without just cause: rather, the action which runs from today until Thursday, peaking tomorrow, appears genuinely to have a number of causes.

Pay: The nurses' 1988 pay award, due on April 1, is in the hands of the profession's pay review body. Last year, ahead of the general election, the Government implemented in full recommended average increases of 9.5 per cent.

This year, the matter is complicated by the fact that the review body is recommending salary rates for a proposed revised grading structure, designed to offer better rewards for specialist nurses and to stem the loss of career nurses into management and nurse education.

Current basic pay ranges from £6,250 to £7,750 a year for an enrolled nurse and from £7,040 to £8,600 for a staff nurse. Some nurses see striking as a way of demonstrating anger with such relatively low professional salaries.

Allowances: It was the Government's plans (subsequently withdrawn) to replace percentage unsocial hours payments with a flat-rate premium that sparked the now celebrated one-shift strike by 37 Manchester nurses on January 7.

Many nurses depend heavily on these payments, which make up 10-15 per cent of total earnings, and they fear ministers will reintroduce the plans. Some will be striking on the issue.

In addition, feeling is running high in London – where the strikes will be concentrated – over London weighting payments. The inner London rate for nurses is £930 a year, compared to £3,000 for the clearing banks, and the present offered increase would take it only to £981.

Staffing: Recruitment problems, causing a net loss to the NHS of 60 nurses a week, are clearly leaving some hospitals chronically understaffed. Some of the biggest strike votes have come at London hospitals where these problems are at their worst and vacancies run into the hundreds. Although poor data availability makes it impossible to give an overall picture – and although some parts of the UK evidently have few difficulties – the Royal College of Midwives claims an overall shortage of 17.5 per cent in the posts available to its specialist members.

Many of this weeks' protesters will be student nurses who bear the brunt of the shortages of qualified staff and whose training suffers as a result.

Frustration: Possibly the most important spur for action and certainly the one that tips the balance on whether to walk out. Nurses feel that patience and negotiation have got them nowhere.

On top of the above issues, some nurses feel strongly about the Government's review of the NHS, about the consistent under-funding of their pay awards, about the rundown state of many NHS facilities and about 101 other things including, for all anybody knows, the poor quality of food in the hospital canteen.

As Ms Kit Mahoney, a nurse at the North Middlesex Hospital in north London, told a television interviewer: "I am tired of the way things are going, and things are getting worse. That's the reason I have decided to strike."

An ironical twist to pit deputies' strike

Charles Leadbeater examines how the 1984 miners' strike set the stage for Nacods' action

IT IS ironic that the first national strike in the coal industry since the 1984-85 miners' strike should have been organised by Nacods, the deputies' union.

During that strike, relations between Nacods and the National Union of Mineworkers became strained after the deputies called off a planned strike. Their move was prompted by an agreement with the then National Coal Board over a procedure to handle pit closures. However, few in either union regarded the terms as satisfactory.

The tension generated by the ambivalence in Nacods, which found itself caught between the workforce and the corporation, provided the background to yesterday's 24-hour deputies' strike.

The ostensible cause was the union's rejection of the corporation's 1987 pay offer of either a 4.28 per cent increase in basic rates or the reintroduction of incentive payments, with enhanced hourly rates for weekend attendance.

But over the last year, Nacods officials argue, deputies' earnings have not risen as fast as miners'. Miners' earnings have gone up by 11 per cent in the last year, mainly because of high incentive bonuses.

However, under Nacods' 1986 pay agreement, deputies gave up their right to productivity-linked bonuses in return for higher basic rates of pay.

In addition, the union says, the offer would give the corporation the opportunity to lengthen weekend shifts by two hours to eight hours, thereby paving the way for controversial six-day production.

But the hostility the pay offer has provoked - there was a 90 per cent vote for action short of an indefinite strike - also reflects the increasingly strained relationship between the union and the corporation since the end of the 1984-85 strike.

Deputies are supervisors and therefore not part of the mining workforce. Nor are they part of management. Their power comes from their role in enforcing the health and safety legislation which binds the industry. Part of the cause of this dispute is a fear that the corporation wants far-reaching changes to the deputies' role which would undermine their power.

The union believes the corporation has prompted the Health and Safety Commission to suggest important changes to legislation which could mean that much of the work done by dupties could be carried out by chargehands or under managers.

Corporation officials believe the legislation, and Nacods' power as guarantors of safety, is a big constraint on the commercialisation and modernisation of the industry.

PM reveals Cabinet workings

By Peter Riddell, Political Editor

MRS MARGARET Thatcher has offered a rare insight into the operations of the Cabinet and its committee system.

In a parliamentary written answer, she confirmed that there will continue to be four standing committees of the Cabinet.

The defence and overseas policy committee and the economic strategy committee will be chaired by Mrs Thatcher herself, while the home and social affairs committee and the legislation committee will be chaired by Mr John Wakeham, the Lord President of the Council and Leader of the Commons.

Mr Wakeham has taken over from Lord Whitelaw, the former Leader of the Lords, as chairman of the home and social affairs committee.

Mrs Thatcher says in her answer that attendance at these committees will vary according to the subject under discussion.

In accordance with previous practice she says: "Subcommittees of the standing committees will be continued or established as appropriate. Membership and terms of reference of the standing committees and their sub-committees will remain confidential."

Pit deputies' strike blamed on Government

By Tom Lynch

THE GOVERNMENT has provoked the current strike by pit deputies and this week's threatened action by health workers, Mr Tony Benn (Lab, Chesterfield), the former Labour Cabinet minister, told the Commons yesterday.

In an apparent challenge to his own front bench to give direct support to workers confronting the Government, Mr Benn accused ministers and Sir Ian MacGregor, then the coal board chairman, of provoking the year-long miners' strike of 1984-85 "for their own purposes".

Now, he said, British Coal was refusing to negotiate with Nacods, the pit deputies' union, and was "unilaterally in breach" of long-standing agreements.

His appeal for an emergency debate was rejected by Mr Bernard Weatherill, the Speaker.

MPs given further 90 hours to scrutinise Education Bill

BY IVOR OWEN

CONCERN in the Cabinet over the role likely to be played by the House of Lords in amending some of the Education Reform Bill's controversial provisions was highlighted by **Mr John Wakeham**, the Leader of the House, in the Commons last night.

He revealed that in deciding to invoke the parliamentary guillotine to limit further debate on the bill in the Commons ministers agreed to devise the most generous timetable introduced in such circumstances for 20 years.

Mr Wakeham explained that the Commons standing committee giving line-by-line consideration to the bill will be able to devote at least another 90 hours to the task in addition to the 88 hours already spent considering the first 43 of its 146 clauses.

He said it was hoped that this would enable all the parts of the bill – it also contains 11 schedules – to be subjected to proper scrutiny and meet the point made by Mr Edward Heath, the former Conservative Prime Minister, that the Lords would be justified in changing provisions not adequately considered by the Commons.

Mr Wakeham stressed that the timetable provided for a further three days to be devoted for the report stage and third reading on the floor of the Commons, and held out the possibility of this being further extended in the event of the Government introducing fresh provisions to abolish the Inner London Education Authority.

The strong belief among Labour MPs that the Government was poised to announce that it intended to abolish Ilea – a course urged by two former Conservative Cabinet ministers, Mr Norman Tebbit and Mr Michael Heseltine and supported by 120 of their backbench colleagues – was stressed by **Mr Frank Dobson**, the shadow Leader of the House.

Mr Wakeham insisted that no such decision had been taken and promised that such a development would be announced in a statement by Mr Kenneth Baker, the Education Secretary.

Mr Dobson emphasised that no attempt had been made by the Government to claim that there had been "filibustering" in the standing committee considering the bill and complained that no attempt had been made to negotiate an agreed timetable for the completion of its remaining stages.

Mr John Biffen (C, Shropshire North), the former Leader of the Commons, warned that every time the parliamentary guillotine was brought into use it strengthened the moral authority of the House of Lords in making changes to legislation.

He urged the Government to ensure that the Commons was able to assert its primacy and that it did not have to compete with the Lords in securing national attention.

Mr Biffen also underlined the need for legislation to be adequately prepared so that the responsible ministers did not have to fear the outcome of proceedings for a judicial review.

'Assertive' policy to aid the north advocated

BY MICHAEL CASSELL, POLITICAL CORRESPONDENT

THE Government should reconsider its ideological hostility to regional aid and pursue an assertive and co-ordinated regional development policy in the north of England if it wants to achieve an electoral recovery in the region, according to the Tory *Reform* Group.

In a pamphlet written in response to the recent white paper issued by the Department of Trade and Industry advocating an end to automatic regional development grants, the group praises the strategy developed by the Scottish Development Agency. But it says the government agency is often perceived as an independent body because of ministerial reluctance to promote its success.

It continues: "The SDA takes much of the credit due to the Conservative Party for what has been achieved and is being achieved in Scotland. The Government should be less reluctant to acknowledge its success simply because of its ideological stance."

The reform group welcomes the substantial expansion of the DTI's regional network but suggests that development agencies, staffed by local people, would prove more effective. It does not suggest that exact replicas of the SDA should be established, but emphasises that there are similarities between the two areas, particularly in terms of declining, heavy industries.

Rejecting the idea of an agency covering England as a whole, the TRG says nevertheless that some form of agency should be established for the north, north-east and the Yorkshire and Humberside regions. It believes such a formula would prove more successful than individual urban development corporations, which might concentrate exclusively on the pockets of greatest deprivation.

The pamphlet says that concentrating solely on the urban issue at the expense of the surrounding areas is unlikely to result in long-term success. It believes the whole geographical region must be economically healthy if the urban problem is "conclusively to be conquered".

The Tory Reform Group emphasises that it is not advocating limitless capital expenditure "to prop up yesterday's industries". But it wants to see stabilising and co-ordinating regional agencies established more responsive to the needs of individual regions than central government.

It claims that the SDA has worked well in Scotland and that similar incentives should prove as effective in England in helping the regions to harness the desire by both private and public sectors to engineer lasting economic recovery.

The Scottish Development Agency: An Example to the Nation? Tory Reform Group, 22-23 Gayfere Street, London SW1P 3HP. £2.

Delay over leadership contest

By Michael Cassell, Political Correspondent

WITH speculation already intensifying over possible candidates for the leadership of the new party to be created by the merger of the Liberals and Social Democrats, the two parties agreed yesterday that no contenders will declare themselves until after the local elections in May.

The decision was confirmed in talks at Westminster between Mr Robert Maclennan, the SDP leader, and Mr David Steel, the Liberal leader.

The ballot of members to give final approval to the creation of the SLD, which in both cases will require a simple majority, is expected to begin next week and it is likely the result will be announced on March 3. Given majority support for the new party, the joint, interim committee established to oversee the transitional period, will have its first meeting soon after the ballot result is known.

No final proposals for a launch have been drawn up but the new party is expected to be given an official send-off at a rally later in March.

The timing of the leadership contest remains uncertain and will not be clear until the interim committee meets next month to decide a timetable.

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Action in court averts strike by ferry crews

BY JIMMY BURNS, LABOUR STAFF

P&O and Sealink yesterday won High Court injunctions preventing the National Union of Seamen from staging its planned national strike from midnight.

The order on the NUS to withdraw from its planned industrial action was issued on the grounds that a national strike in support of 161 seafarers dismissed by the Isle of Man Steam Packet Company amounted to secondary action called without a formal ballot.

The move followed the disruption of UK freight and ferry operations in the Irish and North Seas by seafarers anticipating the strike call.

Earlier in the day the threat of legal action against the union on the grounds of secondary action appeared to have split the 7,500 NUS members employed in the UK ferry and freight sector over tactics.

In contrast to the not unexpected hardline attitude adopted by seafarers in Irish and North Sea coast ports, those in Dover and other southern ports operating Channel routes held back from joining the action.

P&O, one of the major UK ferry companies, said that it had sought High Court injunctions to "protect our own interests and those of our customers."

The High Court ruling was a blow to the NUS which earlier in the day had argued the legal case for the strike - the first such action since 1981. The union invoked the 1970 Merchant Shipping Act which allows a seafarer to give 48 hours' notice of his intention to terminate his agreement with his employer in order to participate in industrial action.

The union claimed that the decision to push ahead with its plans for the strike over the weekend followed mass meetings in all major UK ports when a majority of union members had expressed support "in a show of hands" for industrial action.

But in a strongly worded letter sent to all its Dover-based employees yesterday, the P&O managament warned that if there was any industrial action, the strike would be "illegal secondary action."

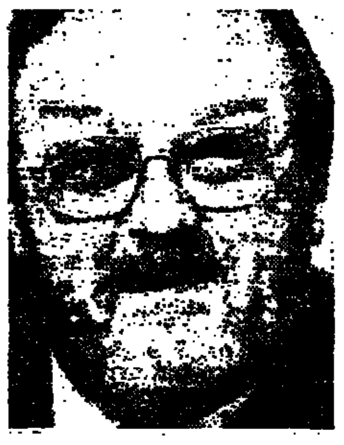
The company pointed out that only last week its employees had voted in favour of negotiating changes to current crewing arrangements.

Jimmy Burns on anger within the seamen's union

NUS heads for choppy waters

IT IS perhaps not entirely coincidental that Britain is facing a national ferry strike just a few weeks away from the National Union of Seamen's bi-annual conference.

Until a few days ago the odds were that the conference would prove a stormy one for Mr Sam McCluskie, the NUS's general secretary. The union's militant left wing, who have clallenged Mr Cluskie ever since he was elected, had been preparing a series of motions strongly critical of the union's organisational response to the storm clowds sweeping through the shipping industry.



Sam McCluskie: test feelings

By calling his members out today, Mr McCluskie – a member of the Labour Party's national executive – is putting to the test the feelings of widespread frustration that are alleged to exist within the union.

The immediate cause of the strike is the decison of the Isle of Man Steam Packet Company to dismiss 161 employees for refusing to accept radical changes to their pay and conditions agreement.

But the underlying source – and one which the union is now stressing with the aim of avoiding legal action against it on the grounds of secondary picketing – is fear and anger at the direction in which the British shipping industry has been moving.

The number of British ships flying the red ensign have declined from 1,614 in 1975 to 635 last year, as a result of a a critical inbalance of supply and demand within the world shipping industry. Some companies have closed down, others have pruned their operations, while a growing number of shipowners have chosen as their main cost-cutting route the device known as "flagging out"- the process by which ships are transferred away from the main UK register, either to an 'open' or 'flag of convenience' register or to an associated 'offshore register'.

For some companies, such a restructuring has meant a balancing of books.But for the NUS it has meant a 30 per cent decline in membership in the last five years to about 20,000.

The NUS claims the move by the Steam Packet Company, which is 40 per cent owned by Sealink, is confirmation that a process that had ben largely restricted to deep-sea ships and tankers is planned by all the big ferry companies.P & O and Sealink have made no moves to 'flag out' their cross-Channel operations. But they have made clear their wish to shake-up their crewing arrangements,including substantial job cuts, to compete more successfuly with the advent of the Channel Tunnel.

In October 1986 Sealink's plans to cut 436 jobs led to occupations of ships and strikes at four Channel ports. The two week-strike ended in a compromise agreement, with the NUS accepting most of the cuts

In December P & O indicated that it wanted reduce its Dover-based crews by at least 400. The move, like that on the Isle of Man, was strongly resisted by the union's hard *left*. Mr McCluskie chose to negotiate.

Now the NUS is officially saying enough is enough. Nevertheless while job insecurity might initially prove a spur to action it could also undermine the strike's longer term effectiveness.

It is only a few weeks ago that the union was forced to raise its membership fees, close some of its offices, and initiate merger talks with the National Union of Railwaymen in a so far unsuccessful attempt to stem a crippling financial crisis. Officially the union says it now has the heart for a fight. But it remains far from clear whether it really has the muscle.

Gas staff stoppage continues

By Richard Tomkins

THE STRIKE by West Midlands gas engineers which has virtually halted all but emergency repair work in the region entered its second week yesterday with no apparent progress towards a settlement.

About 1,700 engineers, represented by the General Municipal and Boilermakers' Union, are involved in the dispute over a revised bonus scheme introduced by British Gas West Midlands last week.

About 550 service layers, who connect homes to the gas mains, are on official strike because they believe the scheme will cut their earnings. Most of the region's other engineering workers have walked out in sympathy.

British Gas said yesterday that on a conservative estimate nearly 200 homes in the West Midlands had had their gas cut off because repairs could not be carried out. About 300 customer service staff in central Birmingham had resumed work, but shortages of parts had meant offering only a limited service.

Neither side appeared ready to break the deadlock yesterday, but British Gas said it was willing to reopen talks about the bonus scheme without conditions.

TUC leader urges printing unions to bury the hatchet

BY JOHN GAPPER, LABOUR STAFF

THE National Graphical Association and Sogat '82 print unions have been advised by a TUC leader, in an unusual public intervention, to bury old rivalries and complete merger negotiations

Mr John Monks, TUC deputy general secretary, says in an article in the NGA's newspaper Print that the TUC challenge to the two unions is to create a new print union and "bury the hatchet – not in each other."

Mr Monks uses the example of the print industry to press home a wider point that unions must been seen responding imaginatively to technological change in order not to be "swamped" by it.

The TUC usually avoids public expressions of opinion on the internal affairs of member unions, and Mr Monks' intervention indicates concern that union organistion in the print industry may be being hampered by the lack of a merger.

Mr Monks' article, which comes against the background of protracted negotiations between the two unions on merger terms, emphasises the need for the unions to respond adequately to changes forced on them by new technology.

He writes: "TUC experience in other parts of British industry confrims that union's can't apply the old methods to radically different technology – or not for long.

"Methods have to be re-fashioned if unions are to ride with and shape the changes rather than be swamped by them."

Mr Monks, who says that unions have to show "adaptibility, skill, cunning and unity," in responding to a new labour climate refers to the difficulties faced by the unions over disputes such as that with News International.

The TUC has been dismayed by the prolonged controversy among member unions, including Sogat, the NGA and the EETPU electricians', caused by the News International dispute and would like to see a unified union structure.

The NGA had been hoping that merger negotiations to be complete by now, but Sogat wanted to consider a full report on the discussions and possibly even present an amalgamation document to its biennial conference in May.

Sogat recently took extended advertising space in the UK Press Gazette – a journalists' trade paper – to argue that the union was committed to technological change.

Butlin's faces dispute as pay talks collapse

BY JOHN GAPPER

BUTLIN'S, the holiday company, could face an industrial dispute following the breakdown of annual pay talks. Staff are being asked to support a ballot on action, possibly including a strike.

Four hundred permanent staff at Butlin's head office in Bognor Regis, West Sussex, and the company's five holiday centres have rejected a pay offer of a 4.5 per cent minimum rise together with the introduction of a new bonus scheme.

The conflict comes against the background of staff restructuring at Butlin's - which is owned by the Rank Organisation - and an investment of £80m over the next three years to upgrade its former holiday camps.

Permanent staff at Butlin's are outnumbered by about eight to one by seasonal staff - including the traditional Redcoat entertainers - who are taken on during the holiday season, and are not involved in the dispute.

Mr Mick Fisher, the GMB general union's national officer for hotel and catering, said that Butlin's staff had been unsettled by the announcement of 50 redundancies during pay talks at the end of last year.

He said he believed they would support industrial action in view of the growth in profitability of the Rank Organisation's holidays and recreation sector, which it was announced last week made a £43.9m trading profit in 1987.

Butlin's has made about 300 staff redundant over the past 18 months as part of general restructuring intended to improve the trading potential of its old holiday camps, which are being upgraded to Holiday World leisure centres.

Rank said the offer would in practice give pay rises of between 5 per cent and 8.5 per cent, and the bonus scheme would add up to a further 7.5 per cent to salaries. It intended to brief staff further on the details of the offer.

The company said the announcement of redundancies at the same time as pay negotiations at the end of last year had been a coincidence.

Barclays deal wins backing

By Our Labour Staff

BARCLAYS BANK yesterday implemented the first stage of a two-year pay deal with its 80,000 UK staff after members of the Banking, Insurance and Finance Union voted to follow the majority staff union by accepting it.

Bifu's 14,600 staff just met the January deadline for acceptance set by the bank for moving the settlement date forward by two months and raise the value of the deal to 15.7 per cent over two years.

The deal – the first two-year agreement in a UK clearing bank – was accepted by the Barclays Group Staff Union after the offer was raised to 6.25 per cent in the first year and 6.25 per cent in the second. A Bifu ballot produced a 91 per cent majority for acceptance among clerical workers and a 65 per cent among data staff.

TECHNOLOGY

CEGB goes for the big power play

Clive Cookson examines plans to build two new coal-fired plants

THE UK's Central Electricity Generating Board will apply for planning permission this week to build two 1,800 megawatt coal-fired power stations. Each will have two 900 MW turbine-generators – the first time such large generating units have been used in Britain.

The stations, at West Burton on the River Trent in Nottinghamshire and Fawley on the Solent in Hampshire, will be the first non-nuclear plants ordered in Britain since 1977, and they are likely to cost between £1.2bn and £1.5bn each.

They are part of the CEGB's plan to build several new nuclear and coal-fired power stations during the 1990s, to meet what is expected to be a substantial increase in UK demand for electricity. All the new plants will be sited in the Midlands and South of England, where there is a serious shortage of generating capacity.

The CEGB says the new design, with two 900 MW turbine-generators in each power station, can be built more quickly and less expensively than the coal-fired plants ordered during the 1960s and 1970s, which had smaller 660 MW units.

CEGB officials are reluctant to reveal their detailed thinking about costs before the manufacturers put in final tenders for the contracts, but it seems they expect the generating equipment to be 20 to 30 per cent cheaper in real terms than in previous coal-fired stations.

These cost savings will, however, be partially offset by the fact that the new stations have to be fitted with expensive pollution controls. The flue gas desulphurisation equipment to reduce the sulphur dioxide emissions that contribute to acid rain could add 15 per cent to overall costs.

The two UK turbine manufacturers – GEC and NEI – and the two boiler makers – NEI and FKI Babcock – have been closely involved in the CEGB's design process, and they enthusiastically support the step up to 900 MW. "This is a particularly good move for the turbine makers, because it will provide us with extra experience for our export business," says Michael Barrett, a director of GEC Turbines.

However, the CEGB is sticking to the tried and tested 660 MW unit for its new PWR nuclear stations, starting with Sizewell B. "That was a deliberate decision to put all our engineering effort into the nuclear reactor," says Ron Burbridge, who runs the board's Generation, Development and Construction Division.

The board and manufacturers say the move to 900 MW is justified for the coal-fired stations by advances in generating technology since the 660 MW units were designed 20 years ago.

Progressive improvements in materials, particularly carbon steels, have led to stronger turbines with larger blades. In addition, new techniques of computer analysis enable the manufacturers to produce far more accurate models of the flow of steam through the turbine and the stresses in its components.

Larger generating units offer increasing economies of scale, but if they are made too big the stress on the turbines becomes intolerable. The UK industry believes that, at present, 900 MW offers the best balance between these two factors.

Some power stations overseas have single turbine-generator units as large as 1,200 MW, but these are half-speed machines rotating at 1,500 revolutions per minute instead of the 3,000 rpm specified by the CEGB. "They are really quite different machines," says John Bolter, a director of NEI Parsons.

The new power stations will have larger boilers to provide steam to drive the 900 MW turbines. They will operate at a higher pressure than the old 660 MW boilers (180 instead of 168 atmospheres) which will increase the overall efficiency of the unit. Another innovation is a "low NOx combustion system" to reduce the pollution in the form of oxides of nitrogen emitted by the burning coal.

The CEGB has simplified the overall design of the new stations. Components such as cooling water systems and feed pumps are less complicated than in previous coal-fired plants, and Ron Burbridge says there will be much less pipework to build and maintain.

At the same time the board has responded to criticism of the way it managed the construction of its power stations. In the past, work began on site well before the design programme had finished, and the CEGB now admits that this overlap sometimes led to unnecessary delays.

Under the "improved" management system adopted for the new power stations, design contracts for the main components will be placed in time for the manufacturers to complete the design work well before construction starts. The provisional timetable calls for design contracts to be placed for the first station by July 1988 and building work to start at the end of 1989, with a target completion date in 1995. The timetable for the second station would follow a few months behind the first.

John Bolter of NEI says the manufacturers should have no difficulty keeping up. "The timetable is quite generous compared with what we have to achieve on export jobs."

The location of the two power stations is not yet certain. Although the CEGB is applying this week for planning permission to build them at Fawley and West Burton, it has a third candidate site in reserve – Kingsnorth on the Medway estuary in Kent – and may make a planning application there in the spring.

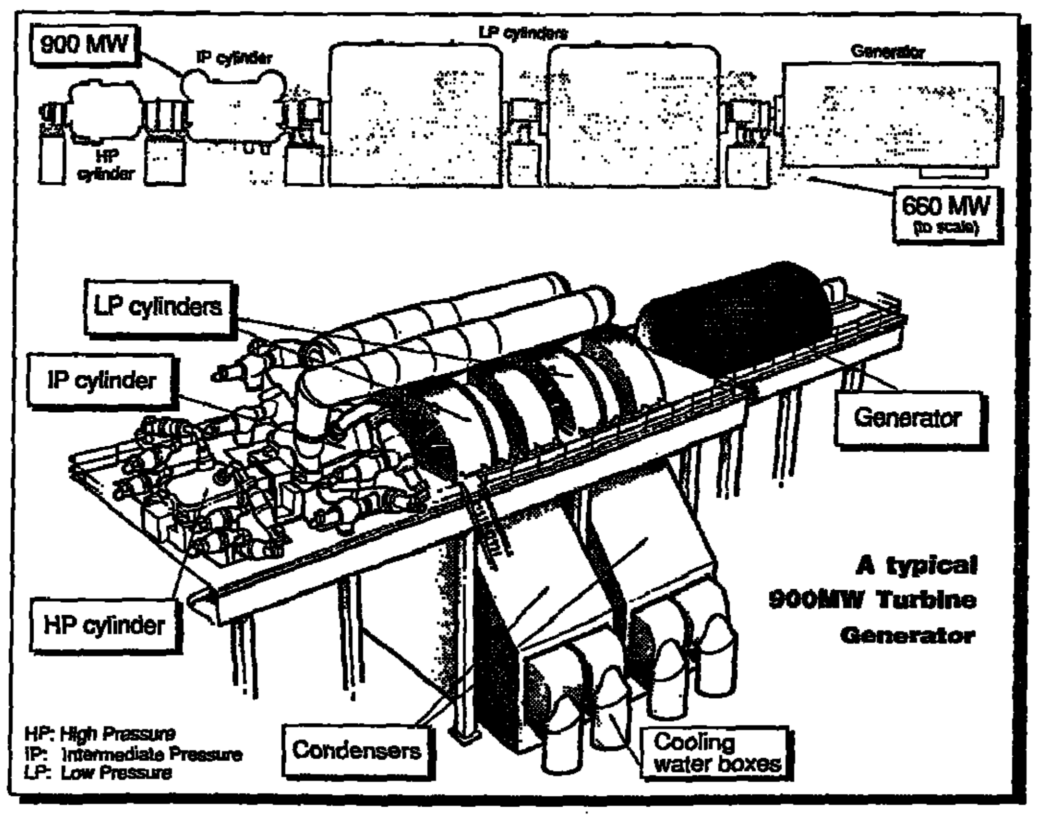
Ron Burbridge says the procedure will be to select either Fawley or West Burton within the next few months as the site of the first new station. Then for the second station the CEGB will choose between Kingsnorth and whichever of Fawley or West Burton was not chosen for the first.

This rather complicated strategy is apparently intended to give the CEGB room to manoeuvre, in case strong local objections and a public inquiry threaten an unduly long planning delay at Fawley – the most environmentally sensitive site because of its proximity to the yachting playground of the Solent. On operating grounds Fawley would be the board's first choice, because it would do most to correct the imbalance in the National Grid caused by the shortage of generating capacity in the south.

All the UK generating equipment manufacturers are very short of work, so they are praying that the orders will not be delayed. NEI is most desperate, because it lost both the turbine and the boiler contracts for the Sizewell PWR – and the winners, GEC and Babcock, are in a strong position to supply the turbines and boilers respectively for the next nuclear station at Hinkley C.

The CEGB has dropped the "Buggins turn" principal of sharing out power station contracts to the UK manufacturers, so there is no question of awarding coal-fired work to NEI just to compensate for its losing out on the PWRs – even though the company's future as a manufacturer of turbines and boilers must now be at stake.

The CEGB has so far resisted increasing pressure from abroad to let foreign manufacturers tender for its main power station contracts, but the liberalisation of European trade scheduled for 1992 may force it to change policy. If the UK power industry is to thrive in the more competitive era after 1992, Fawley and West Burton will have to be its showcases.



A typical 900MW Turbine Generator

Spanish call upon Italy's expert in risk assessment

David Lane explains how Agrileasing has developed artificial intelligence to vet leasing applications

ARTIFICIAL intelligence, the ability of computers to make human-like judgments, will soon be helping Banco Hispano Americano to grapple with the problem of assessing prospective leasing contracts. The bank, which has the largest leasing services operation in Spain, recently reached agreement with the Milan software house Artificial Intelligence Software (AIS) to purchase a personalised version of a computer program called 'ALVIN'.

This marks the first commercial sale of the program, which was developed for Agrileasing, a subsidiary of an association which groups more than 700 rural and artisans' savings banks throughout Italy. The Italian company has been using ALVIN for leasing risk assessment since last November.

"We used to believe that intuition was the crucial factor in spotting the operations to avoid. Our decisions were based on a good nose for sniffing out bad risks," says Vincenzo Lobascio, Agrileasing's manager responsible for risk evaluation.

Once the company set about the task of analysing the problem of changing noses for computers, two years ago, it became clear that the decision-making process, which was apparently intuitive and subjective, could be structured within an analytical framework.

"The key was to separate the individual elements which comprise the overall process, and to identify the single decisions and understand how they are taken," says Lobascio.

He explains that the problem can be conceived as a pyramid with a base formed of facts regarding the prospective client and the peak representing the decision on a proposed leasing contract. Base and peak are linked by a chain of decisions.

ALVIN is the result of combining Lobascio's practical experience in the leasing world with the computer expertise of Francesco Gardin, AIS's managing director. Gardin put theory into practice. He worked as the knowledge engineer on the ALVIN project, having previously undertaken postgraduate research work in artificial intelligence at Exeter University in the UK.

"The problem was first to obtain and communicate information and then to represent it so that it can be directed along a decision-making path," says Gardin.

ALVIN is composed of about 1,200 rules and considers three main factors when assessing a proposed leasing operation. "These factors – the soundness of the lessee, the type of equipment to be leased and the conditions of the leasing contract – determine the riskiness of an operation," explains Lobascio.

Above all leasing companies are concerned that lessees are financially sound, will remain in business and will be reliable in paying their leasing rentals.

However, lessors must also take into consideration the ease of re-sale or re-leasing of repossessed goods, as well as contract conditions.

The ALVIN program has a knowledge base with three principal modules for evaluating the key factors in the decision process. Evaluation of the prospective client is based partly on accounting data communicated through input tables and partly on other facts solicited through a series of questions.

The system contains a database on goods, built partly on statistical data derived from Agrileasing's own experience.

During a typical consultation the program obtains about 100 facts from the user. Gardin says that the time required for this interactive process is generally between 10 and 15 minutes.

ALVIN provides the managers of Agrileasing's 13 branch offices with an assessment giving an overall judgment (negative or positive), together with comments on the state of the company, leasing conditions and cash flow. The user is offered the facility of altering conditions in order to identify those which yield a positive overall judgment.

In addition to the brief assessment, ALVIN also supplies the user with a detailed 6 to 8 page report on the prospective lessee and the proposed operation.

Testing, undertaken last year, used 200 leasing operations which had turned sour. "We found that ALVIN, which is used for contracts involving goods worth less than L150m ($122,700), would have turned down 80 per cent of the test sample," says Lobascio.

He reports that though the program is probably conservative and risk averse, it has nevertheless been quickly and easily accepted by branch managers. "Given that branch managers are tied to budgets and are market oriented, their acceptance of the constraints imposed by ALVIN shows that the program is valued as a reliable counsellor," he says.

Agrileasing's branches operate ALVIN on IBM-AT, or compatible, personal computers.

Since being established ten years ago Agrileasing has grown rapidly. Last year it signed 3,150 leasing contracts worth a total of L265bn, compared with 853 contracts worth L60bn in 1982. The growth of the company is one of the factors necessitating the need for the definition of a homogeneous approach to risk evaluation.

With the program operating satisfactorily, Agrileasing plans to modify its sales network. Instead of applying to Agrileasing's small number of branch offices, clients wanting leasing services will soon be able to deal directly with the 1,200 branches of Italy's rural and artisan savings banks.

"The ALVIN program allows us to reduce costs, expand services and ensure greater control," claims Lobascio. It also allows the banks' branches to offer their customers another service which can be managed directly and with a rapid response.

MANAGEMENT: Small Business

Getting to grips with the hard reality of growth

Charles Batchelor pays a second visit to a business school course for entrepreneurs

DEREK CLISSOLD, who runs a speciality chemicals business from a small laboratory at Reading University, had been up until 5 am finishing production for a £10,000 order.

Like many of the other 15 participants in the London Business School's Firmstart course in small business skills," Clissold is finding it difficult to make it to all the classes.

"If I'd had to come in this morning I could have lost the deal – the biggest I've been involved in," he says, rushing out to check that the chemicals have left on the right flight for North America.

Half way through the 26-week programme, Catherine Gurling, director of the school's enterprise programmes, is not surprised that her protégés are coming under pressure. "At this stage people sometimes don't turn up because, hopefully (sic), their business is taking off," she explains.

After an introductory week spent in the classroom at the end of October the five men and 11 women on this year's course have been returning to the school for just two or three days a month, with tutors making visits to their businesses to check on progress.

The course, which is also provided at eight other colleges around the country, aims to take people with a business idea or a young company with growth potential and provide them with the skills and the encouragement to help them expand.

Clissold's dilemma is the result of his first mailshot of 60 catalogues sent out six weeks before Christmas. At first nothing happened but then the orders flowed in, almost swamping his three-person company, Chiral Organics. "If we get too many big orders it will take us three months to deliver and customers won't come back," he says. "I could take on an extra two people now but I've nowhere to put them."

Carole Thomas, a designer specialising in artwork for cookery magazines, is also concerned with the problems of growth. She has found someone to write the texts to go with her illustrations but has now been forced to ponder the alternatives of trading as a partnership or setting up as a limited company.The tax advantages of a partnership are offset by the attractions of limited liability.

But at least the course has given her the information on which to make reasoned decisions. "I'm about to spend serious money on a desk-top publishing unit," she says. "Before the course, I would have probably just done it without thinking about the best way to finance it."

However, it is not just technical skills which the 16 are learning. In fact, for many, this is the least important part of the course.

Nana Schlaepfer, who runs a translation agency, Malla Translations, says her biggest gain has been in confidence. She had kept her agency ticking over while bringing up her children but felt intimidated by the prospect of expansion.

Now she is fresh from a successful encounter with her bank manager. When his superior queried a loan agreement she retaliated by threatening to move her account to another bank and won the day. "I wouldn't have dared do that before," she confesses.

If many of the students have had their ideas confirmed by the course, some have decided to change their plans as a result.

Dave Lane had originally decided on Faculty of Experiential Learning as the name for his company which provides specialised training for people changing careers. After suggestions from his course tutor and considerable thought he has changed it to the Professional Development Foundation – more manageable but still reflecting its not-for-profit status.

Derek Clissold: whether to turn up for his class or fulfil a £10,000 order

Some of the course members are having change thrust upon them by outside factors. Tony Beswick, who runs an activity centre in Cornwall providing adventure holidays, is debating whether to accept a takeover approach from a larger leisure group.

"My turnover will triple this year on the basis of the bookings I've had in," he says. "I'm thinking about whether I should sell now or wait for two years when the business will be that much bigger."

While these challenges crowd in from the outside there is still the formal tuition to be got through. A large part of the first day of the January session is spent on recruitment and selection.

Large company managers attempt to make a rational choice of their employees; entrepreneurs look for "fit", notes John Harter, the tutor. Both approaches have their strengths – and weaknesses, he warns.

From the lecture theatre the class moves to the audio-visual lab where they conduct mock interviews, replaying the results on video. The replays show that Carole Thomas lets her interviewees off the hook by filling any silences in the conversation. Nick King, who has a computer switching equipment company, would tend to put off prospective employees by his non-committal response to their answers.

After dinner it is tutorial time. Jonathan Cowan, one of the tutors, criticises some members of his group for turning up without their business plans. "Imagine you want to borrow some money and you have promised your bank manager a business plan," he chides. "If you don't have one you won't get anywhere."

Nana Schlaepfer does have a plan, though changes in a contract to provide translation work for a large international group have made for frequent alterations in her projections. When the contract with this company ends, turnover will drop and Cowan warns her to start marketing herself straight away to win replacement orders in time.

Alex Stewart-Clark presents an impressive business plan which he has worked out on the computer of one of the other course members. But a closer inspection, together with Michael Stevenson, a young accountant from the firm of Arthur Andersen, reveals a number of gaps.

Stevenson and several other accountancy trainees from major City firms have agreed to help out course members under a "buddy" system arranged by the business school. Stewart-Clark realises that he has not taken account of the rent he will be paying while Stevenson queries the plan's estimates of depreciation, which Stewart-Clark admits he has guessed.

With a further three sessions to go before the final, ominously-titled "remedial workshop" in April, there is still a lot to learn. But so far no-one has dropped out and no-one has gone bust.

See this page November 17.

Israeli manufacturing

A compromise in ideology

Judith Maltz on the growth of a kibbutz project

WHEN PAUL McCARTNEY told a British interviewer several months ago that he ate those "Israeli burgers", the members of kibbutz Lochamei Hagettaot knew they were finally on the map.

The British pop star was referring to one of the products of their rather unconventional kibbutz venture – frozen vegetarian food. Barely two and a half years after taking root at this Western Galilee-based kibbutz, Tivall – a derivative of the Hebrew word for "nature" – has become one of the major success stories of Israel's kibbutz industries.

The company, which broke even before the end of its first year, expects its 1988 sales to reach $20m, moving it into the top ranks of the country's more than 400 communal settlement industrial enterprises. Dressed in typical kibbutz fashion – turned up jeans and work boots – Avi-ezer "Gezy" Kaplan, Tivall's manager, acknowledges today that the risk has paid off.

But four years ago, when he was assigned to survey the market and decide on a new industrial venture for the kibbutz, he was derided when he argued that frozen vegetarian foods were the product of the future. Lochamei Hagettaot had until then earned its income mainly from agriculture and from a cable manufacturing plant on its premises.

In many ways, Tivall provides a good case study of the different obstacles facing kibbutz enterprises – because of the unusual business conditions under which they operate – and the compromises they must often make with their socialist principles in order to grow and profit.

Israel's kibbutzim originally moved into industry in order to provide employment for the labour surplus which resulted from the increased use of automation in farming. Over the years it has gradually replaced agriculture as the main source of revenues for these collective rural settlements.

Capital-intensive industries, especially plastics, have generally been favoured, because of kibbutz principles which forbid the use of outside hired labour (practical considerations, however, have led to this particular principle being compromised where the use of outside labour has been essential). The kibbutzim have also put their world-renowned talents in agriculture to use, moving heavily into chemcial fertilisers and farm equipment.

The US is seen as a lucrative market for Tivall's vegetarian products

Not all have prospered as rapidly as Tivall, whose key to success, Kaplan believes, is a patented technology which eliminates the bad after-taste of the soya bean widely used as a meat-substitute in vegetarian food.

Using this formula, the company has developed a product line which includes not only vegetarian hot dogs and hamburgers, but more exotic items like meatless schnitzels, sausages, and strudels.

Ironically, the majority of Tivall's 80 employees are not members of Lochamei Hagettaot, but of neighbouring kibbutzim, out to earn some extra cash.

Acknowledging the ideological conflict this creates with the basic tenet of not using hired labour, Kaplan maintains it is preferable to employ members of other kibbutzim, with similar convictions, than to rely on cheap Arab labour, as some kibbutz plants have done.

Recent studies have indicated that even without the conventional incentives of wages and bonuses, labour productivity is generally higher in kibbutz plants than in ordinary factories. The reason for this, apparently, is that the employees, by virtue of being kibbutz members, are also part-owners of the plants.

In theory, the entire labour force of the kibbutz is at the disposal of the plant during busy periods. But since even the full exploitation of its manpower resources will probably not suffice in the future, judging by the growing demand for its products, the company is now looking to get other kibbutzim into the act on an equal footing, by establishing plants on their premises as well.

To prevent the creation of the hierarchy of power which exists in capitalist enterprises, virtually all kibbutz industries adhere to the principle of management rotation. At Tivall, tenure at the top position is limited to between five and seven years. Because this rotation generally occurs horizontally rather than vertically, the manager of a kibbutz plant is more likely to have come from another administrative position on the settlement than from the assembly-line of the factory itself.

The reason, explains Kaplan, is that administrative talents are regarded by the kibbutz as more important in a manager than familiarity with the actual business.

"I personally support the rotation principle," he says. "The question is whether it's done as an end in itself, in which case some idiot could be brought in to run the business." Functions at the non-management level of the plant are usually rotated more frequently, because of the more tedious and less interesting nature of the work involved.

A nine-member body made up of representatives of the plant, as well as top people in other sectors of the kibbutz, function as a kind of board of directors for Tivall. The kibbutz's 300 members play a comparable role to the shareholders of a company, choosing the plant's manager and approving all major investment plans.

For financing, Lochamei Hagettaot depends on the United Kibbutz Movement, Israel's largest kibbutz organisation, which raises funds for its over 200 member kibbutzim on the local capital markets.

Because of the interdependent nature of the kibbutz movement, the wealthier ones, like Lochamei Hagettaot, cannot always fully enjoy the fruits of their success. A government-imposed recovery programme, adopted last year, requires the better-off kibbutzim to lend a hand in rescheduling the debts of their poorer counterparts.

One of the more surprising things about Tivall's success is that none of its kibbutz-born-and-bred managers had any previous business education or experience, let alone the basic skills necessary for dealing in the international business world.

A business associate of the company observes that while these burly kibbutzniks may look funny in business suits, the fact that they behave differently is often an advantage when dealing with the outside world. "People like them because they get right to the point, without bothering with all the small talk about the latest French wines and their trips to the Riviera," she says.

Still, when it comes to the basics, Tivall admits it is driven by the same forces as any other capitalist enterprise. "This is a business first and foremost," insists Kaplan. "Its function is to make money."

Sales to the UK, currently its largest overseas market, last year reached $1m. The company sees in the US an even more lucrative market and is now looking for an American partner to help it out with financing and marketing, in exchange for know-how.

The idea of a joint venture between a socialist kibbutz and an American capitalist enterprise might have been inconceivable 20 years ago. But today, the kibbutzim are beginning to realise that to make it big, the rules have to be stretched sometimes. "We had a choice:" says Kaplan, "to adhere strictly to our ideological principles or to bend them. I think we made the right decision."

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Midland Papers Limited	Rugby	Paper Merchants	356
Tyne Paper & Board Company Limited	Gateshead	Paper Merchants	421
Master Papers (Luton) Limited	Luton	Paper Merchants	434
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Gill Paper & Board Limited	Leeds	Paper Merchants	1,772
Master Papers Limited	Kent/London	Paper Merchants	2,428
Lynton Paper & Board Company Limited	Kent/London	Specialists in Clearance and redundant stock papers	1,104
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The budgeted turnover for the year to 31 May 1988 is some £22 million to be derived from a customer base of 3,000 accounts.

The major assets of the group are freehold and leasehold properties, stock and motor vehicles.

Initial enquiries should be addressed to: Maurice Withall F.C.A. or Ian Williams F.C.A., Grant Thornton House, Euston Square, Melton Street, London NW1 2EP. Tel: 01-383 5100. Telex: 28984. Facsimile: 01-383 4077.

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LSO/Barbican Hall

Andrew Clements

"A Theme, with Variations" is the title of a wide-ranging celebration of British music planned by the London Symphony Orchestra and running through the first half of 1988. Though events also permeate to the South Bank, the festival is centred on the Barbican; the BBC's Birtwistle binge two weeks ago was incorporated as one component. Most of the concerts, however, aim to combine contemporary composers with earlier English staples, so that the new work from Robert Saxton, *In the Beginning*, commissioned by the LSO for the series, began a programme on Sunday which also included Walton's Cello Concerto and a Vaughan Williams symphony.

In the Beginning belongs with a number of recent Saxton scores in exploring cyclic phenomena, birth-death-rebirth processes, in which Old Testament imagery seems to play an important role. Like the unaccompanied choral piece first heard at last year's Proms, the new orchestral work begins in profound darkness and advances steadily into the light; in this case, however, it proves not to be the initiation of a single arching span of music but of a series of shorter ones – three in the first, slow section, another three in the central scherzo and leading to a sequence of more explosive rebirths in the final dance.

It is the final section, triggered by *Rite of Spring*-like timpani and hocketting brass, to which the 17-minute argument seems most surely directed: it contains the piece's most memorable music, and its real sense of identity. Until that point the orchestral writing – for a modestly proportioned band with double wind – is deft and idiomatic, occasionally virtuosic, but rarely striking. The pungent almost theatrical effects one remembers from Saxton's earlier orchestral works are replaced with a smoother orchestral blend, homogeneous scoring that seems altogether more conventional, as if the context of the premiere had encouraged the composer to play safe.

Nevertheless, the LSO's response to Saxton's demands was always accurate and accomplished. Conducted by Jeffrey Tate the orchestra continued on fine form in the Walton concerto, relishing the lazy sun-kissed lyricism of the first movement as much as the soloist *Yo-Yo Ma*. Impressively though he handled the faster music, Ma's most personal response was reserved for the slower sections, for the slow movement proper, and especially for the melancholy shades with which the concerto ends, when its Mediterranean warmth is unaccountably chilled. Tate similarly unfolded Vaughan Williams's Fifth Symphony with easy *elegance*, assisted by excellent solo playing. At times it was all perhaps too unforced – the scherzo can stand more incisiveness – but the balance in the final passacaglia between meditation and affirmation was caught most convincingly.

Svetlanov/Festival Hall

Max Loppert

Yevgeny Svetlanov's *latest* concert with the Philharmonia Orchestra and Chorus culminated in Saturday's crack performance of the Prokofiev *Alexander Nevsky* cantata. The poster-simple sentiments and poster-bright colours of the music came up glossed and polished; under that rather impassive (and refreshingly unglamorous) facade, the Russian conductor is an orchestral and choral director of extraordinary virtuosity.

Svetlanov's laconic way of moulding (and bending) tempos and phrases according to dramatic pressures invariably achieves its aim – it may not be possible for an English chorus and orchestra to simulate the colouristic boldness of their Russian equivalents, but their control of tone and disciplined attack brought different, not lesser, rewards. Likewise, Alfreda Hodgson in the mezzo lament may have lacked the tonal and emotional depths of a native, but the chaste musicality of her singing was very moving. And for students of *virtuoso conducting technique* the urging and expanding of the work's final chord to its roof-raising completion was a lesson in itself.

There is a less attractive side to the conductor's art, however, which made itself apparent in the first half of this Russian programme: the expertise can give rise to performances with a slick, soulless feeling about them. The Glinka *Ruslan and Ludmila* Overture was set off on a brilliant but charmless, unanimated whirl. In the Chaikovsky Fifth Symphony, which Svetlanov disappointingly chose to substitute for the scheduled First, the melodic lines stretched smooth and passionless; under the fine-groomed surface nothing much of any moment seemed to be going on.

Spectrum/St John's

Richard Fairman

The instrumental sections of this concert on Saturday night were easily the more enjoyable. Under the direction of Guy Protheroe the contemporary music ensemble Spectrum breathed new life into Barber's much-played Adagio for strings and Copland's *Appalachian Spring*.

The focus of the evening, though, was intended to be elsewhere. Called "Voices of America," this programme looked at more recent developments in American music. The most prominent figure, with a couple of works included, was James Sellars, though he might well count not as one but as several voices, so widely differing were the styles in his work.

This makes Sellars difficult to place or classify. At first, his instrumental piece *Return of the Comet* sounded as though it was going to be a minimalist piece. Its ideas are all fairly trite and the cut is typically uncomplicated; but as the music progressed, it acquired a drama and rattling good humour that took it beyond what any minimalist would allow.

His choral settings of Gertrude Stein then set off in several other directions: "A Rose is a Rose" was turned into an inappropriately stodgy and long-winded fugue; while "Susie Asado" tried to out-Stein the poet herself by reducing her words to syllables, plosives and other percussive choral noises. *A sort of choral virtuosity* is called for by this style that the performances were in no way able to supply.

The English Chamber Choir was floored by Sellars, as it had been by Copland's rather more conventional *The Lark* earlier on. Morton Feldman's *Voices and Instruments* (1972) fared a bit better, as the singers had little to do except occasionally hum or groan amid long stretches of silence. (It had many of the audience in stitches.) But for the rest this was a choir ambitiously setting its sights on music to which its vocal chords did not stretch.

Tate Gallery/William Packer

Cooper's Cubists celebrated

Douglas Cooper and the Masters of Cubism is a small exhibition of 81 works on paper, selected from the Douglas Cooper Collection by its curator, Dr Dorothy Kosinski, that comes on to the Tate Gallery (until April 4) from the Kunstmuseum, Basel. It is not exclusive to the masters of the title, for it even includes – among things by Klee, Miro and a few others – portraits of Cooper by Sutherland and Hockney; but effectively it is a celebration of the great cubist quartet, Picasso, Braque, Leger and Gris, and of Cooper's association with them.

Douglas Cooper, who died in 1984 at the age of 73, was one of the great maverick figures of the mid-20th century art world. A man of Australian fortune and antecedents, conventional English education, and French sympathies, from the moment he came into his independence as a young man he was a discerning collector of contemporary art, most notably of the cubism of the first great period in the years before 1914. He was able to pursue his interest on a significant scale and the artists, almost inevitably, became his personal friends. In 1949 he bought the *Chateau de Castille* at Argilliers, in the Gard, which he restored and where he hung his remarkable collection. The South of France remained his home for the rest of his life, for he removed to Monte Carlo in 1977.

His enthusiasms led *him* to discover the distinguished scholar in himself, though perhaps not quite the sort of gentleman we usually expect. *For* Cooper was ever the fierce controversialist and partisan of his cause of the moment. Far from being at all put off by his voluntary exile, he seemed almost to gain energy and vehemence in his participation by his very distance from the British scene. That distance was a licence to oversimplify and overstate: in short to go too far.

The issue, as often as not, would centre upon the Tate, and the manifold sins and wickedness of whomever he held responsible for its misdirection. The famous, ludicrous incident at the Diaghilev Exhibition at Forbes House in 1954 when, for his pains, he was punched on the chin by Sir John Rothenstein, *the then embattled Director* of the Tate, has long been celebrated in art-world song and story, but it was merely *one moment in along history*. But he was no implacable enemy of the Tate, and reconciliation took place long ago. Over more recent years he *contributed* much in a direct and practical way to the Tate and its exhibitions, and it is rightly as the scholar-collector rather than the buffoon that he will be remembered.

Though Cooper was nothing *if not personally involved and parti pris*, the material that he has left us on Cubism and its protagonists is invaluable, and *he did much to give it substantial* shape and order. In *The Essential Cubism*, the great exhibition which he and Gary Tinterow put together for the Tate in 1983, he gave us a *review and reappraisal of his* subject which was as near to definitive as any such exercise that we are likely to see for *decades to come, a worthy* swan song.

It presented no dry academic study but an enthusiast's love *of the work for its own sake*. Suddenly Cubism was not just teasing the mind with its ambiguities and formal possibilities, *as it always had, but ravishing* the eye with a rich, beautiful physical presence. Though it drew on resources far wider *than Cooper's personal holdings* in Cubism, that exhibition suddenly made clear why he had devoted a lifetime and a *fortune to its collection. He began* in 1932 when, at the age of 21, he committed the not inconsiderable sum of £100,000 and a third of his fortune to acquiring a substantial and fully representative holding in the early work of the four great Cubists. Though the scope of his collection would extend far beyond the Cubists, and would continue to grow, change and shrink again in the course of his life, he had largely achieved that particular ambition by 1945 – a tribute not just to good fortune but to remarkable youthful judgement and determination.

This much smaller and far more intimate exhibition is confined to drawings, collages, water-colours and gouaches, and it treats more of the Cubists themselves than of Cubism: its period is that of their working lives. Indeed one of its most fascinating elements is more biographical than critical, for it gives the material evidence, hitherto unpublished, of a deep love affair that Picasso had had in 1916 with a young Parisienne, Gaby Lespinasse. She gave him up and neither of them ever let out the least hint of the affair. It only came to light in the early 1970s, when both were dead and Cooper bought from Gaby's niece the tokens, notes and drawings that *she had inherited from her* aunt. Even then the secret held, for Cooper himself never got round to publishing it, intriguing *as it was* but less so, perhaps, than the delightful intimate mementoes it generated.

Picasso's drawing for Gaby Lespinasse, c 1915-16

Cooper always resisted any *over-theoretical analysis of the* movement, that might reduce to a method and a style what was essentially the intuitive *achievement of individual* inspiration. It was the intuitive character in what they did that set his four artists apart from the lesser followers and acolytes, and even among them set his particular heroes, Braque and Picasso, higher still.

For the critic or scholar to recognise the superiority of the particular and individual work of art over the general theory, *no matter what insights or support they bring to it*, is the beginning of wisdom in the study of art; and here, it is not *the scholar we think, of who* simply admired and respected the work, but the collector who loved it.

DecaDance/Sadler's Wells

Clement Crisp

We were at the Wells in gala mood on Sunday night to celebrate ten years of Dance Umbrella. And in saluting this decade of vital, splendid, tremendous and tomfool activity – that first season which brought the admirable Douglas Dunn to London: later evenings when ears were shattered by noise and tempers taken to breaking point by pretension and inadequacy - let me also pay grateful *tribute to* Val Bourne, *who has* laboured long and selflessly to make each year's season possible. Her rewards may be in heaven; *they are also in know*ing that an audience has grown up aware of the most intriguing and most outrageous in new *dance. Educated and informed*, thanks to Miss Bourne, and very partisan, this is a public as commendable in its devotion *as are the performers in the* Umbrella marathons.

Like any Umbrella season, Sunday's gala was a mixture of blessings and not a few curses. About the latter I will not comment, since all the performers gave of their services. It is good to report, though, that there was much to admire in the programme – excessively long though it was – and, as always with Dance Umbrella, much to make us think about the identity of post-modern dance itself.

The outstanding event of the evening must surely be the appearance of David Parsons, who closed the first half of the evening. Mr Parsons is one of those heroically muscled, uncannily light American dancers – he is a principal with Paul Taylor's company – with whom virtuosity seems as natural as breathing. His *Caught* is an eye-dazzler. In voluminous white trousers, torso bare, he dances and spins, then is caught with split-second timing in a series of strobe flashes. The optical effects thus obtained show him apparently floating over the stage, or careening in impossible flight. Strobe is no stranger in dance performance: never before have I seen it used to such magical and thrilling effect.

In extreme and salutary contrast, Steve Paxton performed three numbers from his *Goldberg Variations*, in which demotic movement – walking, slides, gesture – is established as a dance vocabulary that grips the attention. *Let me* also single out the appearance of a new troupe, Adventures in *Motion Pictures, whose Overlap Lovers* by Matthew Bourne was an elegant mixture of tangos and post-modernism. There was *good design (well-considered* costumes in red and black, and boldly painted screens for setting), and a sense of structural *logic as the seven dancers* joined and broke formation. A central duet looked slightly as if it might have suited ice-skaters, *but Mr. Bourne has a gift* well worth watching, not least for the deftness of his choreographic imagination.

Two wildly differing solos began the second half of the gala. Michael Corder, classical in white, danced a new elegiac *variation to music* by J.S.Bach; Randy Warshaw, post-modern in black, danced a sloping,insinuating sequence to music by the *hard-rock group Leibach: the* odd thing was that these diametrically opposed items looked rather alike in their concentration upon line and control.

Other memorable contributions came from Kenneth Tharp, repeating his bravura solo from Robert Cohan's *Phantasmagoria*, in which he spins and races tremendously in his actually smoking jacket; from the mime David Glass, whose hands marvellously evoked life acquatic and erotic; from Rambert dance Company in part of Richard Alston's *Strong Language*; from the brothers Stone who, as Ralf Ralf, argued hilariously in what sounded like Albanian rhyming slang. Ashley Page and Ian Spink sauntered through the Popular Song from *Facade*; Scott Clark was fluent in the curves and sinuosities of his *Little Secrets* to a Mahalia Jackson song; Michael Clark showed his legs and insteps in a diagonal from *No Fire Escape in Hell*; Pushkala Gopal and Unnikrishnan stamped joyously through a Thillana duet; Second Stride; the Royal Ballet's folk-dancing Bow Street Rappers – these and others paid tribute to what Dance Umbrella has meant, and will continue to mean, as a show-case and an inspiration for new dance ideas. It has been a decade worth celebrating.

Gluck's 'Orpheus and Eurydice' in London and Cambridge

Max Loppert

Gluck's *Orpheus and Eurydice* came back to England last week – not quite from the dead, but from a rather long period of absence, which was unhappily extended even into last year's Gluck bicentenary celebrations. In Cambridge the Cambridge University Opera Society performed the original version of the opera – Vienna, 1762, with an alto hero and Calzabigi's Italian newly and stylishly translated by Anne Ridler. On Sunday English Bach Festival came to the Royal Opera House for a single showing of the second version – Paris, 1774, given in Moline's French adaptation and expansion of Calzabigi with a tenor as Orpheus.

One might fairly claim that these are two different operas based on the same material: the original the chamber opera, hardly more than an hour long, in which Gluck's great operatic revolution was first unleashed; the second an enriched, *enlarged "lyric tragedy" in the* high French manner, complete with elaborate new dance episodes woven into the drama. It was a stroke of extraordinary good fortune to have the two productions, as it were, side by side – not least because both were very different from each other, very fine in their own way, and deeply affecting.

The EBF *Orphée et Eurydice* was at once the more "specialized" and the more revelatory performance. The same team (Charles Farncombe, conductor, Tom Hawkes, producer, Terence Emery, designer, Belinda Quirey, choreographer, EBF orchestra of period instruments) have previously practised their method of carefully researched, historically recreative exploration on Rameau and Handel; this was the first time the neoclassical period had been approached, and also the first time in this country that Gluck has been Authentically treated in the theatre.

Two points need to be made about the exercise. The first is *that, because by and large it* was most beautifully and smoothly costumed, moved, danced, and staged (past EBF experiences having been absorbed, past lessons learned), the performance was not in any way frigid, untheatrical, or of *merely historical* interest. The second is that, in a fascinatingly paradoxical fashion, this *Orphée* underlined the *modernity of Gluck's* mythical reworking as seldom in my experience. The effect of formal severity on the two scenes *of Act 2 – hell followed by* heaven (Romain Rolland claimed this to be the most perfect act in all opera) – was particularly striking: the combination of "period" backcloths, costumes, gestures, and dance routines brought out the sheer newness, the bareness, the forward-moving urgency of the narrative juxtaposition with quite startling clarity. Even at moments when the size of the house itself swallowed up string or choral tone, this sense of Gluckian lightness and Gluckian intensity was never lost.

But at the same time another, slightly less comfortable point was proved by the EBF *équipe* at Covent Garden. Everything we know about Gluck's coaching of both Guadagni (the alto castrato hero of 1762) and Joseph Legros (the tenor Orpheus of 1774) leads us to believe that he demanded previously unimagined vocal and dramatic passion to be poured into the role; and that he wrote it, in both Vienna and Paris, for voices of the forcefully expressive quality. Andreas Jäggi, the personable young Swiss tenor Orpheus, moved well, and "managed" the *high-lying* vocal lines (which included those of the florid *ariette* ending Act 1) with some skill, but he commanded no emotional energy, and the tone thinned out dangerously in the register breaks. Marilyn Hill Smith's Eurydice *was, by contrast, exquisite in* control of style, voice (showing a lovely new low-range fullness), and character; Maria *Bovino's Cupid was neat, albeit* in funny French.

In the Cambridge Arts Theatre last Tuesday all was very *different – a small auditorium*; a modern-day *mise-en-scène*; a collection of young choral voices and instrumentalists making up in total commitment for what they lacked in professional expertise; an *Orpheus* edition whose stripped-to-essentials manner approaches even more closely the modern idea of music-drama (though two "Paris" numbers, the D minor Dance of the Furies and Dance of the Blessed Spirits, had been forgiveably stirred into the score); and an Orpheus, the countertenor Michael Chance, who moved me to tears with his very first utterance, and who throughout the evening proved himself a Gluck singer of rare eloquence.

The producer, Julia Hollander, had invented an Orpheus- has-a-dream-during-the-overture staging which, apart from a handful of silly moments, developed a quite unexpected degree of theatrical power and seriousness. Susan Bisatt's Eurydice was tender, urgent, and warmly voiced. And in spite of the tendency of the young conductor Stephen Layton to pause too long between numbers and to let *some phrases droop and sag* (the expertly sustained forward momentum of the EBF *Orphée* under Farncombe was a *contrasted pleasure), I was held by* the Cambridge performance from beginning to end. In fact, the special greatness of Gluck's *mature theatrical vision was* the common point proved in both English cities.

Manon/Covent Garden

Clement Crisp

With Jennifer Penney and Stepehn *Jefferies as the Lescaut* siblings, and Anthony Dowell as des Grieux, there can be little wrong with the central argu*ment of Manon, which started* its second century of Opera House performances on Saturday. Sir Kenneth MacMillan's *theatrical scheme – the circling* predators of *Regence* Paris seizing their prey; the loss of innocence in a vertiginous whirl of pleasure and retribution – *is* executed through dances that still retain their power and freshness, and still invite the *best of their executants gifts.*

Miss Penney's ravishing physique, with its lovely proportions, its exquisite legs and feet, enhances MacMillan's dances (as they do her talents) at every moment. The simplest statement of a step or phrase looks bewitching in the first two acts, where Manon's luscious charms inspire love, lust and greed. And for all the dramatic clichés of the tale, Miss Penney preserves a kind of innocence, an unquestioning delight in what she is given – both as character and as interpreter of some superb choreography – that lend the girl a delicious credibility until we see her reduced to the wraith of the final scenes.

Set against this physical and emotional charm we have Stephen Jefferies' rapacious Lescaut, thumb to mouth as he calculates the odds, his uncertain temper veering from falsely charming to brutishly threatening. The characterisation is, as always with Mr Jefferies, vital, instant in communication, sharp in dynamic outlines. And what an abiding joy it is to see a dance actor in whom every least effect is perfectly scaled: nothing over-played, yet each nuance of the tale precise in statement, and the mad humour of the drunken pas de deux with his mistress (the ever-excellent Fiona Chadwick) kept within proper bounds.

No greater contrast of style is *possible than with Anthony* Dowell's des Grieux. Fourteen years after he created the role, Mr Dowell remains ideal in *purity of feeling as in purity of* line. Des Grieux' ardour may seem monochrome as drama – he loves unwisely, and goes *obsessively on with this love* – yet the deepening of the personality is clear, and the final despairing moments touch the heart. *The partnership with* Miss Penney is happy in those ecstatic pas de deux which sing of young passion; slightly less *happy some occasional thinning* of that creamy flow of movement which has been the sign of this great dancer in top form.

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Arts Guide

January 29-February 4

Opera and Ballet

PARIS

Paris Opéra. Orphée aux Enfers is conducted by Lothar Zagrosek with Michel Sénéchal, tenor, dominating Jean-Louis Martinoty's production of Offenbach's joyous parody of Gluck. Alternates with *Hommage to Serge Lifar* by the stars and pupils of the Paris Opéra Ballet with Icare danced in Picasso's decor and costumes. (47425371).

La Fille de Regiment. Conducted by John Burdekin at the Opéra Comique (47425371).

NEW YORK

Metropolitan Opera (Opera House). Nello Santi conducts Turandot in Franco Zeffirelli's production with Ghena Dimitrova, Leona Mitchell, Nicola Martinucci and Franco De Grandis. Nello Santi conducts Luisa Miller in Nathaniel Merrill's production with Silvia Mosca, Wolfgang Brendel and Paul Plishka. James Levine conducts Fabrizio Melano's production of Pelleas et Melisande with Frederica von Stade, Anthony Rolfe Johnson and John Macurdy. Sir Peter Hall's production of Macbeth conducted by Giuseppe Sinopoli featured Eva Marton, Renato Bruson and Samuel Ramey. Lincoln Center. (362 6000).

WASHINGTON

Washington Opera (Eisenhower). The Consul. Gian Carlo Menotti's 1950 Pulitzer-prize winning opera protesting against police states is directed by the composer in repertory with L'Italiana in Algerie. Kennedy Center. (254 3670).

HMS Pinafore (Opera House). Brian McDonald's production stars Ron Moody and Meg Bussert. Kennedy Center. Ends Feb 6. (254 3770).

LONDON

Royal Opera (Covent Garden). Bernard Haitink's first Wagner venture since taking on the Royal Opera's musical directorship is a new production of Parsifal. The staging is by Bill Bryden in the designs of Hayden Griffin; the young German tenor Peter Seiffert (London debut) takes the title role, and the cast also includes Robert Lloyd, Waltraud Meier, Simon Estes, and Willard White. On Sunday English Bach Festival visits Covent Garden for a single performance of the Paris (tenor) version of Gluck's Orpheus and Eurydice, Charles Farncombe conducts, and the title roles are taken by Andreas Jäggi and Marilyn Hill Smith. (240 1066).

English National Opera (Coliseum). The triumphant new production by David Pountney of Hansel and Gretel is a magical combination of operatic re-thinking and real theatrical fantasy. Mark Elder conducts superbly. Cathryn Pope and Eiluned Robinson take the title roles, and Pauline Tinsley, far too long absent from London opera, returns to the ENO in the double assignment of Mother and Witch. Also in repertory: the last performance of the Rosenkavalier revival, attractively conducted by Christian Badea, with Valerie Masterson a light but marvellously elegant Marschallin; and the latest appearance of Graham Vick's deeply unsatisfying Madam Butterfly production, with Janice Cairns and Edmund Barham as Cio-Cio-San and Pinkerton. (836 3161).

WEST GERMANY

Berlin, Deutsche Oper. Der Troubadour is a Herbert von Karajan production and features Viktor van Halem and Franco Bonisolli. Orpheus in der Unterwelt is revived with Julia Conwell, Barbara Scherler and David Griffith. Also offered La Bohème and la Gioconda. (34381).

Hamburg, Staatsoper. Cav and Pag stars Julia Varady, Hildegard Hartwig, Giorgio Lamberti, Piero Cappuccilli, Natalia Troitskaya and Vladimir Atlantov. Zar und Zimmermann will be conducted by Manfred Schandert. Zemlinsky's rarely played Eine Florentinische Tragödie/Der Geburtstag der Infantin has fine interpretations by [illegible] Dieter Weller and Kenneth Riegel. John Neumeier's ballet Daphnis and Chloe/Der Feuervogel closes this week. (35 11 51).

Frankfurt, Opera. Così Fan Tutte returns with a star cast led by Clarry Bartha, Marianne [illegible], Michal Shamir and Douglas Johnson and will be conducted by Ira Levin. Le Nozze di Figaro features Hildegard Heichele, Wolfgang Schöne, Nan Christie and Marianne Rorholm. Der Fliegende Holländer has Simon Estes in the title role and Kurt Moll as Daland. (25621).

München, Bayerische Staatsoper. The week starts with Der Widerspenstigen Zähmung, choreographed by the late John Cranko. Götterdämmerung is steered to triumph by Ute Vinzing, Lisbeth Balslev, Cornelia Wulkopf, René Kollo and Matti Salminen. Faust, sung in French, has Carol Vaness, Ruggero Raimondi and Francisco Araiza. Don Giovanni stars Elisabeth Connell, [illegible] Schmidt, Peter Schreier and Christian Boesch. Also in the repertory: Tosca. (21851).

ITALY

Milan, Teatro alla Scala. First performance in Italy of Niccolo Jommelli's Fetonte, conducted by Hans Vonk and directed by Luca Ronconi. In the cast are Luciana Serra, Curtis Rayam, Mariana Nicolesco and Luciana d'Intino. Also Verdi's I due Foscari, conducted by Gianandrea Gavazzeni and directed by Pier Luigi Pizzi (also responsible for the scenery and costumes). The splendid Renato Bruson (alternating with Eduard Tumagian) leads a cast which includes Linda [illegible] (alternating with Maria Gulegina) and Renato [illegible] (alternating with Ernesto Gavazzi). (80 91 26).

Naples, Teatro san Carlo. London Festival Ballet with Natalia Makarova in Four Works. (41 70 44).

Rome, Teatro dell'Opera. La Bohème, in the successful production seen here two seasons ago, this time conducted by the young Spanish conductor Miguel Angel Gomez Martinez. The husband and wife team, Veriano Luchetti and Mietta Sighele lead the cast. Also, Bellini's La Sonnambula, in the same production as given here two years ago, conducted by Hubert Soudant. American soprano June Anderson leads the cast. (46 17 55).

Turin, Teatro Regio. Gotterdammerung, sung in German, conducted by Zoltan Pesko and directed by Gianfranco de Bosio, with Jeannine Altmeyer, Heribert Steinbach and Cheryl Studer. (54 80 00).

Genoa, Teatro Margherita. Genoa Opera opens its season with Manon by Massenet sung in French, conducted by Daniel Oren and directed by Alberto Fassini, with scenery and costumes by Pasquale Grossi. Fiamma Izzo d'Amico sings the title role (alternating with Floriana Sovilla and Leontina Vaduva), with Pietro Ballo (Chevalier des Grieux) alternating with Luca Canonici, and Kurt Rydl as the Comte des Grieux. (58 92 39 and 59 16 97).

AMSTERDAM

The Netherlands Opera (Muziektheater). Don Giovanni directed by Alfred Kirchner with Nikolaus Harnoncourt conducting the Concertgebouw Orchestra and Glenn Wilson, continuo. William Shimell in the title role, with Patricia Schuman, Edith Wiens and Hans Peter Blochwitz (Tue, Thur). (26 54 55).

King's Singers/Elizabeth Hall

Andrew Clements

The King's Singers have just embarked upon their 20th-anniversary season. They began their London celebrations at the Elizabeth Hall on Friday, with a concert in aid of the National Youth Choir that offered a characteristic mixture of a capella repertory items and bespoke arrangements. It demonstrated the paradox of the King's Singers' performances: immensely polished, well-groomed singing, that is effortlessly transferred from idiom to idiom, yet ultimately is always identifiable as the product of a self-conscious stage act in which cloying sentimentality is never far from the surface.

Friday's concert carried the title of "Towards the New World," and between arrangements of North American folk-songs and a group of songs by Paul Simon it offered de Padilla's *Lamentations* and cycles by Richard Manners (settings of Robert Frost) and John McCabe. The former presented the group's chic packaging at its most extreme, destroying the directness of the Shaker "The gift to be simple," and the grave beauty of "Black is the colour" through saccharine harmonies; the account of the Padilla, sung without affectation if a fraction too much suavity, showed how accomplished and musical their interpretations can be.

The McCabe, *Scenes from America Deserta*, was written for the King's Singers in 1986; this was its first performance in London. It is the most recent of a series of works in which McCabe has explored aspects of desert landscape; in this case it is the American desert seen through the eyes of Reyner Banham. Five of Banham's impressionistic, fugitive descriptions, images of heat and hazy colour, define the sections of McCabe's continuous setting in which the King's Singers' strengths, their swift, vivid response to colour and texture, their agile contrapuntal skills, are fully exploited. There are few anecdotal effects, apart from the echoing calls of the opening, but a good deal of sharp, attentive word setting and economical harmony – by no means a piece which need remain tethered exclusively to the talents of this particular vocal group.

'Bitter Sweet'

A preview of the New Sadler's Wells production of Noel Coward's *Bitter Sweet* on February 23 will be in aid of the Great Ormond Street Hospital for Sick Children.

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Tuesday February 2 1988

Credibility restored

THE BRITISH Government was clearly right to raise interest rates by ½ per cent yesterday, the only thing that is surprising being the City's widespread surprise. It is more than surprising; it is disturbing, for it suggests that the credibility of the announced policy of the Government is dangerously low.

The view that interest rate increases could not be in the offing derived from a standard Keynesian perspective. Given a consensus that demand is slowing down and a deteriorating external account as well, the conventional Keynesian response would be both lower interest rates and depreciation of the exchange rate.

Nominal anchor

Why should anyone have expected the Government to reason in this way? After all, the logic of the Government's policy has been clearly set in terms of a nominal anchor, with the exchange rate – rightly or wrongly – having replaced monetary targets.

The exchange rate was permitted to depreciate in 1985 and 1986, but this could be justified by the fall in the world price of oil. The Government also permitted quite sharp declines in base rate after Black Monday, with a decline from 10 to 8.5 per cent. But these changes, too, could be justified by special events: the stock market crash and the priority given to currency management after the fall of the dollar.

Domestic considerations, outside the stock market, argued strongly against these reductions. Growth of broad money continues at more than 20 per cent a year and – most ominously – there have been signs of inflationary pressure in the labour market. A willingness to tolerate these conditions without reaction could have fatally undermined the Government's entire strategy.

The first reasonable opportunity to reverse a part of the interest rate declines was taken yesterday, when UK base rates were raised to 9 per cent. The opportunity was seized for three reasons: the renewed strength of the dollar; the apparent robustness of the stock market; and, above all, the slight weakening of sterling against the D-Mark.

The first two of the above considerations allowed the rise but it was the last that justified it. With the exchange rate down to DM 2.97 over the past week and below DM 3 since December 1987, there was both the room and the need to confirm the exchange rate floor. The principal role of the exchange rate anchor is to guide wage bargaining. Employers had to be reminded that, along with the ceiling to preserve competitiveness, goes a floor to punish inflationary folly.

The view that underlay the consensus on the low likelihood of interest rate increases was that the annual rise in earnings, of roughly 7.5 to 8 per cent a year since 1982, is an economic constant. But the lesson of the last eight years is that the labour market responds more to changes in unemployment than to levels. The risk, whose reality is obvious from pressure in the NHS and in the motor vehicle industry at present, is that a number of exceptionally generous and highly publicised settlements would spread throughout the economy.

Essential link

If control over inflation is to be retained when unemployment is falling, maintenance of the exchange rate link to the D-Mark is essential. Such a link could only be sacrificed if the dollar were to collapse or if the rate of rise in earnings were to fall to levels comparable to those in major competitor countries, the latter being the ideal condition in which to contemplate a depreciation of the real rate of exchange.

What ought to worry the Government, is that the credibility of its basic strategy is so low, even in the most alert part of the private sector. If so many City analysts expected depreciation, what were industrialists likely to think? What has looked like pure pragmatism has created confusion. Unfortunately, the lower the credibility of the counter-inflationary strategy, the higher the costs of putting it into effect. So, having selected the exchange rate instrument, the Government will have to reconfirm the commitment whenever the opportunity is granted. In the end, the City may even come to believe the Chancellor.

Tax mishap in New Zealand

TINY New Zealand, with a population of 3m, has spent much of the last three years basking in the international limelight as it moved breathlessly to restructure its economy and free its markets. It is back in the spotlight this week as a spectacular attempt at radical tax reform appears to have fallen from the high wire.

There is nothing surprising about this; tax reform is one of the trickiest of balancing acts, a feat which has defeated a troupe of major economies including Japan, Britain and West Germany. But the upset raises some wider questions about the speed and style of an economic reform whose outcome is awaited eagerly by a gallery of more hesitant nations.

Heavy regulation

Mr David Lange's Labour Government took office in 1984 and inherited one of the most heavily regulated economies within the OECD. Previous Governments' responses to worsening terms of trade were more subsidies to agriculture and industry and more protective trade barriers.

The Lange Government's economic counter-revolution has been spearheaded by Mr Roger Douglas, the Finance Minister. His strategy has been to deregulate quickly, using an extremely tight monetary and fiscal regime to throttle inflation.

Herein lie the crucial mistakes in a bold and imaginative dash for freedom. Mr Douglas moved on the easiest targets first and in so doing got his priorities wrong. The lesson with hindsight is that the least responsive markets should be tackled first - the labour market (still rigid), prices in goods (where tariffs on manufactures are still far above the average of competitor states) and industrial subsidies. Turning the icy blast of self-support on the agricultural sector alone has been neither an efficient nor a fair approach to restructuring and transferring resources.

The financial markets, fastest to respond, probably should be the last to bound free. The experience of New Zealand shows that, when interest rates and borrowing are high, financial deregulation produces an appreciating real exchange rate with damaging effects on the balance of payments.

Cherished programmes

Mr Douglas's conundrum is this: New Zealand now urgently needs a substantial depreciation. But that could boost inflation, still in double figures, possibly producing the nightmare of all finance ministers: high interest rates, rising inflation and a weak currency.

One remedy might be to cut into public sector programmes but this is a Labour Government and Mr Douglas's Cabinet colleagues will surely protect their cherished health, welfare and education programmes.

Instead Mr Douglas is relying increasingly on shoring up business and investor confidence with supply side measures to stimulate the internal economy. His tax reform package was to be his 1988 showpiece; a single rate of tax, perhaps as low as 20 or 25 per cent for all companies and individuals, with minimal threshholds and tax breaks.

But this time Mr Douglas appears to have made a political miscalculation. Even with changes to family income support his flat rate tax would work regressively, leaving some working people, currently on the lowest 15 per cent rate, worse off. The Labour Cabinet cried foul, withdrawing the plan unceremoniously for review. It would be regrettable if the overall strategy was derailed by this accident, but more careful preparation, both politically and economically, is needed if it is to stay on track.

Lionel Barber on how Black Monday affects Senator Proxmire's attempts to reform US financial laws

Trying to link the tracks

DURING his 30 years in the US Senate, Mr William Proxmire has been described as a prickly maverick with a penchant for lost causes and a penny-pinching crusader against public waste. The one sobriquet which has eluded the Democratic Senator from Wisconsin is that of a legislator capable of visionary reform.

Now aged 72 and on the brink of retirement, Senator Proxmire has one last chance to alter history's verdict. As chairman of the Senate Banking Committee, he has less than 12 months to fashion a landmark financial reform bill – one that would bring about the repeal of the 1933 Glass-Steagall Act. This Act, a central pillar of US financial regulation, established the separation of banking and commerce and banned commercial banks from engaging in the securities business.

Until last October's stock market crash, the case for banking reform was tilting Senator Proxmire's way. Black Monday, when the Dow Jones index plunged 508 points, has recast the debate by injecting a host of questions about the regulation of volatile financial markets. It has even raised doubts about the wisdom of repeal itself.

One senior congressional aide says: "Senator Proxmire has got his priorities mixed up. Our first duty is to fix what is wrong with the market itself."

The response from one of Senator Proxmire's supporters in the Reagan Administration is: "The regulation of banks and the stock market may be emotionally linked in the public mind, but they are entirely separate issues."

The lack of consensus on market reform reflects the still incomplete picture of what happened on Black Monday. A lengthy Securities and Exchange Commission report, due to be published today, is expected to fill in many gaps. Throughout this week, the Senate Banking Committee will conduct public hearings, the first of many open sessions held by House and Senate committees and sub-committees. It will be, in one participant's words, a 50-ring circus.

The first ring burst into activity last month with the publication of the Brady Commission report, drawn up by a presidential task force headed by Mr Nicholas Brady, a Wall Street banker and close friend of Vice President George Bush.

Though tentatively expressed, the report offered three controversial recommendations to curb market volatility. The first concerned margins, the collateral or payment made by traders as security for purchases of financial assets. In the Chicago-based futures and options markets, where investors pay for the right to assets rather than the assets themselves, margins are as little as one fifth of those required in the New York stock market. This creates greater leverage – a small amount of cash can buy a large amount of equity – but also greater volatility. The Brady report proposed higher margins for futures and options markets.

Brady also suggested the exchanges consider "circuit breaker mechanisms" such as price limits or co-ordinated trading halts to control excessive market gyrations. Lastly, he proposed the creation of an intermarket agency to co-ordinate regulation in the financial system. The Federal Reserve was "well qualified" to fill this role, Brady said.

The White House greeted the report with deafening silence. Ostensibly, Mr Reagan needed more time and more evidence before passing judgment. In fact, Brady's interventionist message was not what an avowedly free-market, deregulatory Administration had in mind.

Brady's message was not what a deregulatory Administration had in mind

The more laisser-faire officials argue that Black Monday was caused by a profound shift in investor psychology; and the market made the necessary self-correction. However, such confidence is not widely shared. One senior official notes: "Fundamental factors caused the fall. But the market overshot. We have created something with a great deal of systemic risk. We must pull back a little."

But how far, how soon? Within the Administration and Congress, the one area of common ground is that the debate is still in its formative stages.

The Fed, for example, is not keen on assuming the over-arching supervisory role which Brady envisaged. As the guardian of monetary policy, it already feels politically exposed in an election year. To take on further responsibilities could make it a bigger political target. Tender questions also arise.

Would a Fed role mean, as in banking, an extension of the federal safety net? Would it encourage investors to take more risk? Moreover, some lawmakers doubt whether the Fed should assume sole responsibility for regulating margins, given its past argument that if anything, cash-market margins should be lowered to the levels prevailing in the futures markets. Mr Alan Greenspan, the Fed's chairman, is now reassessing the central bank's policy on margin requirements.

The practitioners in Chicago and New York are moving quickly to head off the regulators and win back frightened small investors. This month, the Wall Street investment bank Shearson Lehman Brothers took the lead in voluntarily giving up programme trading, the computerised process of offsetting purchases and sales of stocks and stock-index futures which many believe exacerbates market volatility. Other firms followed suit.

The New York Stock Exchange announced experimental curbs on the use of its electronic order system, widely used for computerised programme trading. A review is scheduled this week.

But observers believe these accommodating gestures do not address another core problem: the need for a central clearing mechanism covering both information and settlement between New York and Chicago.

According to one knowledgeable official, two incidents occurred around Black Monday which graphically illustrate such a need: two institutions found themselves short on futures and long on stocks to the tune of $970m and $600m respectively. "They had to borrow the money within two days – fortunately for everyone they found lenders. But somehow we need to 'net out' long and short among the brokerage houses."

The problem is that a new credit clearing process is almost bound to disturb the relative autonomy of the exchanges and no one is keen to take on the power of, say, the commodities futures market in Chicago, which has the heavyweight backing of the US agricultural lobby.

One person who knows this better than anyone else is Senator Proxmire. In 1980 he launched a campaign for the Fed to assume margin authority for the futures industry and for the SEC to take over regulatory functions from the Commodity Futures Trading Commission in Chicago. He failed. Senator Proxmire's chief aide, Mr Ken McLean, says a renewed assault on margin requirements and the Commodity Futures Trading Commission is almost certainly out of the question this year.

The most obvious reason is time. Senator Proxmire needs every spare hour to push a banking reform bill through committee to the floor of the Senate. His target date is before the end of this month and he has several factors running in his favour, notably a year-long moratorium on bank regulatory reform imposed by Congress last year. The moratorium is to expire on March 1 and to extend it further would, in many people's eyes, be an admission of failure.

Mr Joseph Grundfest, an SEC Commissioner, believes that the intellectual arguments in favour of repeal have largely carried the day: Glass-Steagall imprisoned the banks and left them unable to compete in new markets; they now stand at a clear competitive disadvantage with the securities business.

One legal strategist backing Proxmire noted that the other essential ingredient to reform is also present: emotion. "People think there is something wrong with the securities industry: the high salaries, the criminal activity and now the crash. They are no longer so sympathetic."

"People think something's wrong - high salaries, criminal activity and now the crash"

Furthermore, some reformists believe they can counter the post-crash argument that banks should stay out of securities. On the contrary, they argue, Black Monday's big lesson is that financial institutions need to be highly capitalised like banks to withstand market volatility.

Yet, as Mr Grundfest notes, there is, so far, little consensus as to what should replace Glass-Steagall. Senator Proxmire has still to get his own committee on side. Indeed, he faces two rival bills, one of which would totally break down the barriers between banking and commerce.

The D'Amato-Cranston Bill (named after its respective sponsors, the New York Republican and the California Democrat) is so radical that its sole aim appears to be to galvanise opposition; in this case the targets are the real estate and insurance lobbies whose territory would – under the proposed bill – face incursion by the banks.

Obstacles also loom large in the House of Representatives where three committees have claimed jurisdiction over Senator Proxmire's bill: the Judiciary, Banking and Energy and Commerce Committees. This last committee, through the raw power of its chairman, Mr John Dingell of Michigan, can make or break financial legislation.

Pressure on Mr Dingell to deal would increase if there is progress in the House Banking Committee, where the mood has shifted markedly towards repeal since 1984, when a Garn-Proxmire bill was allowed to die in the House for lack of time. Whatever the case, the House will give closest attention to how banks, in the new scheme of things, will be separated from their securities-trading affiliates.

Under Senator Proxmire's model, the affiliates will operate under separately capitalised holding companies. The bank and securities trading would be insulated by a "firewall," strengthened by supervisory back-up.

If the regulatory framework is too restrictive or if the market access to new businesses granted to the banks is too narrowly defined in a short list of "enumerated powers," the whole debate could become redundant. "Enumerated powers is yesterday's ball game," says one official. "If it happens, the banks will probably just walk away."

In the last resort, the moratorium could prove the decisive issue. Some 20 cases in the New York Federal Court of Appeals are awaiting determination if Congress allows the moratorium to expire on March 1. The firms bringing these cases hope to exploit possible loopholes in the securities laws to achieve some, at least, of the effects of repeal of Glass-Steagall. If the courts decide, in effect, to sanction new banking powers, it would hardly constitute the sweeping banking reform sought by Senator Proxmire. But in a presidential election year and with the party conventions in summer closing in fast, there may not be enough time for his grander scheme.

The lack of time must raise doubts about major banking legislation this year, despite the fact that the debate is far more advanced than that on stock market reform. Sympathy for the old warrior from Wisconsin aside, the temptation for lawmakers will probably be to let the courts do their work and to postpone major legislation until the next Congress in 1989.

OBSERVER

Caps without the Sir

■The award of an honorary knighthood to Caspar Weinberger, the former US Defence Secretary, is clearly in appreciation of his help to Britain in the Falklands War.

Weinberger was generally regarded as a hawk in matters military, though in conversation he can be an exceptionally mild man. He is an Anglophile who made frequent visits to London, sometimes in a purely private capacity.

On the Falklands his help came in providing the logistical support without which the British recapture of the Islands would never have been possible. There was no way in which British forces could have reached the South Atlantic so quickly without the use of US basing facilities in Ascension.

Weinberger never claimed credit in public, and indeed was not given much in Britain at the time where the exercise was presented as largely a British triumph. He has been rewarded now.

Faithful Bernard

■Bernard Ingham, who has been Margaret Thatcher's Press Secretary almost since she became Prime Minister, is being tempted to leave and take up a new post as an academic.

The offer comes from the University of Newcastle which is seeking to establish a new Centre for Government Communications and has already raised about half the £400,000 or so required to finance the first five years.

Ingham is one of three candidates, though clearly the preferred one, to direct it. He is understood to have shown considerable enthusiasm and to have discussed the matter with the Prime Minister who says that she wants him to stay. Thus the official word is that he is unavailable.

That might not be the end of the story, however. The Centre is not due to come into being until the beginning of next year at the earliest and, as the academics are saying, who knows what will have happened to Thatcher by then?

The key figures behind the project are Hugh Berrington and Ian Fells, professors of politics and energy studies respectively. They have an attractive site in mind, already owned by the University, near Heddon on the Wall on the banks of the Tyne. In time the Centre would become self-financing as middle management and local government officers paid to go on courses.

News of the idea has already stirred up some competition around the University of London where it is felt that any such Centre should be in the capital. Berrington and Fells are having none of that.

Ingham is a Yorkshireman and should have no objection to going north. One of the unanswered questions about him is whether he intends to write his memoirs. The Newcastle post would give him the opportunity. In the past few years, if only because of proximity, he has become one of the Prime Minister's principal advisers. Perhaps only Charles Powell, on seemingly endless loan from the Foreign Office, has been closer to her.

"Who are we supposed to be today – nurses, miners or ferry crewmen?"

New Scientist?

■Potential purchasers of New Scientist, Britain's highly profitable science magazine, are following closely an arcane dispute between the journal's staff and its owner, IPC.

The 25 journalists at the weekly, which despite its low profile has been one of Britain's publishing success stories, have threatened strike action following efforts by IPC to move them from their comfortable office in London's West End.IPC says it wants the office for other purposes and has offered to rehouse the staff in its tower block in Southwark.

News of the altercation may spur interest among possible bidders for the magazine whose weekly sales have grown steadily to about 90,000. New Scientist, chiefly by dint of its burgeoning job advertisement columns, has proved a valuable cash generator and now turns in a profit contribition to IPC of about £4m a year.

IPC has in the past been highly unenthusiastic about selling. But if the problems with staff turn out to be serious – IPC is meeting the journalists tomorrow to try to reach agreement on the matter – the company could feel tempted to take seriously any bids.

One of the chief contenders is rumoured to be the Economist newspaper group, which for some years has been keen to set up its own science magazine.

Yorkshire ties

■The new exhibition of Yorkshire watercolour paintings opened without delay at the House of Commons yesterday despite the absence of the artists themselves, held up by roadworks on the motorway.

When finally they did arrive the white roses were drooping in the lapels of other guests, as much at the humour of Sir Marcus Fox in his opening remarks as they were at the lack of water. The Conservative MP for Shipley, who organised the week-long show, is a Yorkshireman born and bred and never lets us forget it. "I think that Yorkshire people are modest. We never claim that Yorkshire is the best county. We know it is," he said, followed by: "Do you know why a Yorkshireman takes his cap off when it rains? He doesn't like to sit in it when its wet." Not for him the Glasgow Empire.

The former Labour minister, now Lord Mason of Barnsley and president of the Yorkshire Watercolour Society, mentioned one of his own artistic hobbies – designing ties. His latest, not yet in production, is for Labour peers featuring a coronet, the Labour Party rose and the original party badge design – the beacon of liberty crossed with spade and plume, meaning those who work with hand and brain.

Lord Mason has been spectacularly successful with his designs since launching them on an unsuspecting House some years ago. When Minister of Defence he designed a combined services tie which nobody appeared interested in until a member of the Army sports and recreation club agreed to sell it, collecting the proceeds for the club. It is still going strong.

Still burning

■Another reader has come up with a story about hotels advising you to deal with fire, this time concerning a rather well known establishment in Copenhagen. "If possible, alarm the hall porter by telephone. Signify your presence to the fire brigade through the window in a composed manner."

هكذا من الاصل

Letters to the Editor

Economic sanctions could increase disorder

From Mr Tamim Amijee.

Sir, I accept Mr Parsaud's view that dictatorship, strengthened by economic prosperity, does not reform itself out of existence (January 15). But I would still be careful in advocating economic measures against South Africa, for at no time in history has an economic giant fallen without destroying the economic structure that held him up.

Economic sanctions may seem the likely choice to force the present government in South Africa to end apartheid. But the inevitable consequences (that is, economic disorder) of such an action, in the present circumstances of all the Southern African region, should not be overlooked.

Both Mozambique and Angola have civil war going on, mostly fuelled by South Africa's military support for the opposing factions. The consequence is economic ruin, with extreme poverty and misery.

Swaziland and Lesotho are wholly dependent on South Africa's economy. Ruin one and the others will be equally ruined, if not more so.

Botswana, Zimbabwe and Zambia also rely on the South African economy, and in particular on its infrastructure, for their transit goods. Other routes to the sea do exist – the Benguela, the Beira and the Tazara railway lines – but these cannot carry the whole burden; at least not yet. In addition, these countries are within easy reach of South Africa's air force, as was demonstrated in 1986.

Within South Africa itself we observe the civil unrest between the Inkatha and the UDF supporters. In a post-apartheid era the possibility of a fully-fledged civil war cannot be ignored.

To tackle apartheid, the frontline states first have to strengthen their own economies and become free of dependency on South Africa. A couple of programmes (Southern African Development Co-Operative Conference and Preferential Trade Agreement) have been agreed, to achieve this aim, and these should be carried out in full before taking on South Africa. Second, a truce has to be reached between the different groups inside South Africa, in order to present a united front against the government.

Furthermore, there is no guarantee that South Africa, when faced with economic sanctions, will not deliberately try to harm the economies of the neighbouring nations.

I can understand the desire and the urgency to end apartheid. But at the same time I would voice caution on how these honourable objectives can be achieved. The impact of the giant's fall – on the weak nations and inside South Africa – can have long-lasting and uncomfortable reverberations.

Tamim Amijee,
International Hall,
Brunswick Square, WC1

From Mr Avinash Persaud.

Sir, Ms Merle Lipton's study, "The Dynamics of Economic Isolation," reported in the FT on January 20, suggests that economic sanctions against South Africa is a questionable strategy.

She argues that "economic decline could erode those economic bonds that have drawn together the diverse people of South Africa." This view can only be held by focusing on the tiny, black urban middle class. Most blacks, however, live in the "homelands." The experience of these people belies the belief that economic prosperity has drawn South Africans together.

Today black life expectancy in the homelands is 20 years lower than that of whites, and black deaths from malnutrition are 31 times those of whites (National Medical and Dental Council of South Africa figures). The number of destitute people living in the homelands – defined as those without any means of subsistence – rose from 250,000 in 1960 to 1.4m in 1980. The number living below the poverty datum line rose from 4.1m to 8.9m in the same period (SA Hansard, June 26 1984).

White living standards are, of course, among the highest in the world. Where are these economic bonds that have drawn together black and white?

The homelands policy itself, reserving just 13 per cent of South Africa's total area for blacks who represent 80 per cent of the population, and denying them any political rights in the rest of the country, can hardly foster bonds.

In the words of another study on South Africa, "Mission to South Africa" by the Commonwealth Eminent Persons Group: "The degree to which apartheid has divided and compartmentalised South African society is nothing short of astounding...black and white live as strangers in the same land."

Avinash D. Persaud,
London School of Economics,
Houghton Street, WC2

From Mr Robert Hughes MP.

Sir, The pessimistic conclusions of the new Economist Intelligence Unit report, Sanctions and South Africa, as reported by Michael Holman (January 20), are not justified by the evidence and are certainly no more credible than Mrs Thatcher's claim to find apartheid repulsive.

The report's author, Ms Merle Lipton, whose hostile attitude to sanctions has been well-aired in her previous works, seeks to make two basic points: that sanctions, as applied so far, have failed to bring the apartheid regime to the negotiating table; and that they will in fact "impede reform" by acting as a brake on the economic growth.

In her view, the market requirements of economic development in South Africa will cause apartheid's restrictive apparatus to wither of its own accord. Leave it to the market and all will be well.

The first point is invalid because wide-ranging and effective sanctions have not yet been applied by any of South Africa's major trading partners except the US. It is therefore inappropriate to look for drastic political results. Where action has been taken against specific commercial or financial sectors (oil, coal, lending) by significant trading partners, the economic costs to South Africa have been severe. The coal-mining corporations are suffering huge losses, South Africa's export earnings are declining, and foreign capital investment is almost non-existent.

Regarding Ms Lipton's second point, economic engagement with South Africa has a poor record of promoting progressive change. The 1950s and 1960s, which saw foreign capital inflows, bank loans and fast economic growth in South Africa, were also the decades when the South African regime extended and refined its apartheid laws into a comprehensive system which converted the African people into little more than objects of labour, permitted to earn barely subsistence incomes and denied all political rights.

Far from undermining apartheid, economic development as seen under South African conditions has entrenched the racist system. The modifications to apartheid which Ms Lipton lauds as "reforms" promoted by the South African business community – such as relaxation of job segregation, urbanisation, and better education for blacks – are more the outcome of sanctions pressures generated internationally, and the freedom struggles of the South African people themselves. It is only a combination of South Africa's internal crisis and its external isolation that have led to calls for political solutions and for the ending of apartheid.

Limited though these developments may be, they only reflect the limited nature of current sanctions. There is no doubt that comprehensive sanctions would have political impact commensurate with their scope. And there is certainly no other convincing path of action for the international community to follow to help bring apartheid, and the violence it generates, to an end.

Robert Hughes,
Chairman, Anti-Apartheid Movement,
13 Mandela Street, NW1

Romania urgently needs material aid

From Mr Horia Georgescu.

Sir, For a moment one could have imagined that your leader of January 26 read "A Western role in Romania," instead of a "Soviet" one. What you are advocating, in fact, is foreign, communist, open intervention in that unhappy country, albeit (you hope) not military. It is doubtful that the Romanians, much as they would like to get rid of Ceausescu and his hated regime, would "support" yet another imposed satrap.

Of course they would like western countries to help restore their basic freedoms and human rights in accordance with binding international treaties. At present, however, Romanians and their children are starving and freezing and they urgently need material aid.

Jointly, western governments and organisations could decide to suspend, conditionally, Romania's huge debts – the immediate cause of its disastrous situation. They could stop buying meat, grain and other food products taken from the people by the state to be sold cheaply abroad. They could organise an Ethiopian-style campaign of controlled distribution of food and medicines. There are ways of saving the Romanian nation from disaster other than leaving it to the Soviet Union.

Horia Georgescu,
36a Arterberry Road, SW20

Europeans should shoot for the moon

From Mr Malise Graham.

Sir, On January 22 you dismissed the advocacy, by the French Minister for Finance, of a unified currency and central bank for the European Community as "shooting for the moon."

May I point out that the Americans, inhabiting an area six times the size of the Community but with a unified currency and a central bank, reached the moon 20 years ago?

Malise Graham,
40 Morris Road,
Lewes, Sussex

Odd socks are on the increase

From Mr Alan Wadham.

Sir, An interesting theory in the Reader's Digest a few years ago suggested that socks are the larval stage during a life cycle. One sock is destined to remain at the larval stage; its sibling grows up to become a wire coat hanger. If Mr Moss (Letters, January 26) keeps count of the hangers in his wardrobe he will find, as I do, that their increase is in direct proportion to the disappearance of his socks.

Alan E. Wadham,
58 Hook Road,
Epsom, Surrey

From Mr Michael Harding.

Sir, Mr Moss's experience (Letters, January 26) is, I am afraid, typical of many small investors who have been drawn to the laundromat following "Big Splash," hoping to clean up in an afternoon. Reading the small print makes it clear that a single sock is the standard commission rate on all "loads," to use their correct term.

Mr Moss should consider himself lucky: there are many recent examples of whole shirts being lost.

Michael Harding,
24 Birchington Court,
West End Lane, NW6

From Mr D.S. Tallon.

Sir, Mr D.W. Moss (Letters, January 26) is right. Nearly 30 years ago, as an articled clerk, I was sent on an audit to the Slough Trading Estate. (In those days to do an audit there was considered character-forming.) The client made many of the solutions which went into washing powders made by all the major manufacturers.

In the course of the company's stock take I came across a cupboard – locked, and considered extremely high value material. On making my enquiries, as young auditors were instructed to do, I was told that this was for a special export solution sent to some western states of the US, and to the Argentinian pampas. Modern cowboys, it seemed, did not like their chaps so stiff that they were wont to stand up on their own; this made them inconvenient for putting into washing machines. The solution had been devised to soften up the chaps.

Unfortunately it had a more devastating effect. But so much time, effort and money had gone into the development of this substance that it was decided it should be filtered into ordinary washing powders over the next quarter of a century.

David Tallon,
Binder Hamlyn,
1 Serjeants' Inn, EC4

From Mr Michael Mallett.

Wives may destroy a sock in order to pave the way for another cheap, unoriginal birthday or Christmas present. But I wonder if the International Wool Secretariat may not have a secret division (SO.X, perhaps) to see that every other sock is soaked in a special chemical so that on the third or fourth washing it dissolves – thus subtly promoting increased sales and rising wool consumption.

Significantly, wool prices are on a rising trend.

Michael Mallett,
1 Lakeside Close,
Ilkley, West Yorkshire

From Mr Charles Hobbs.

Sir, The phenomenon of the errant sock (Letters, January 26) is by no means new.

Years ago, in my university hall of residence, a twin-tub washing machine defied the attempts of the service engineer to render it operative. Successive waves of students – mechanical, electrical and civil engineers, even dental students – examined it. Eventually a law student realised that its drain pipe was blocked – by a single sock.

I suggest your correspondent adopts the policy I have followed for several years. I buy Marks & Spencer socks exclusively in black and I have never had an odd sock since.

Charles Hobbs,
53 Wetherby Mansions,
Earl's Court Square, SW5

Mastery of skills is what matters

From Mrs Alison Wolf.

Sir, Your article on the National Institute of Economic and Social Research study of engineering training (January 21) rightly expressed concern at Britain's low number of qualified workers at craftsman and technician level. It does not follow, however, that we will necessarily improve matters by copying whatever training method some other "high output" country chose to adopt.

The NIESR report compares British training with a French system based almost exclusively on full time education in vocational secondary schools. Unfortunately, a formal "educational" approach is far from ideal as a preparation for high-quality work on the shopfloor.

Our own research for the Manpower Services Commission shows that the relationship between educational qualifications and practical performance is often very weak. On a larger scale, work for the US armed forces has demonstrated again and again that formal tests are very bad at telling you how a skilled worker, such as an aircraft maintenance mechanic, will perform on the job. The UK government is right to be encouraging training and assessment in the workplace and not just in formal educational establishments.

More generally, it is very risky to draw conclusions about the quality of training by comparing different syllabuses. They do not tell you what actually gets tested; how different skills are weighted when marking a test; what the pass-mark is; or, therefore, what vocational skills a qualification actually guarantees.

In most jobs, mastery of a few crucial skills matters far more than a passing acquaintance with many. It would be a pity if, as a result of cross-European comparisons, we compound our past errors.

Alison Wolf,
University of London Institute of Education,
20 Bedford Way, WC1

Figures quoted for FAO funding do not relate to reality

From Mr Richard Lydiker.

Sir, Your article, "Britain Delays Funds for UN Body" (FT, January 27), is surprising in several ways. The comment that the UK government is delaying payment because it is dissatisfied with FAO management and financial control is particularly surprising.

Management and financial control of the United Nations Food and Agriculture Organisation has been continuously and independently reviewed by its external auditor since its inception. In fact, since 1951 the external auditor of FAO has been the Comptroller and Auditor General of the UK. He is appointed by FAO's council and his reports on administrative and financial matters are subjected to scrutiny by no fewer than three bodies comprising member nations (FAO's Finance Committee, Council, and Conference).

To this end, the external auditor has a team of auditors permanently based in FAO's Rome headquarters, engaged full-time in auditing FAO's transactions and activities. Moreover, the external auditor not only certifies FAO's financial accounts but also spends about 40 per cent of the audit time on "value for money" audits. It is a matter of public record that he has never qualified his audit opinion on FAO's accounts, nor said that he is dissatisfied with FAO's management and financial control.

The reference to proposals by the UK government concerning a review of various aspects of FAO is correct. But it is misleading not to mention that only two months ago FAO's supreme governing body, its biennial Conference of Member States, decided to carry out a review on "Certain Aspects of FAO's Goals and Operations." The conference entrusted the task of carrying out this review to our Programme and Finance Committees supported by a small group of experts. FAO's director-general has publicly welcomed this decision and pledged the full cooperation of FAO's secretariat. The result of the work of these two committees (made up, incidently, of representatives of member governments) will be put before the entire membership for decision at our next biennial Conference in November 1989.

It is also mentioned that FAO has "more than 7,000 staff at headquarters in Rome, compared with only about 2,000 in the field in developing countries;" and this is taken as evidence for the allegation that FAO is "top heavy."

Apart from the fact that the stated number of staff members at FAO headquarters is grossly exaggerated – we are not even half that number –, a comparison between headquarters staff and field staff is irrelevant. It is based on the wrong assumption that FAO is only a development agency dealing with field projects. Being a development agency is only one of four main functions of FAO. Our Organisation is also a global information centre on food and agriculture, forestry and fisheries. It is an adviser to governments in both developing and developed countries, and a forum for technical discussions. All these global activities, unrelated to our field projects, of course require people.

Finally, in the overseas edition of the Financial Times a British official was quoted in a statement to the effect that it is "ridiculous" that we in FAO say that we have a cash flow crisis. This official claimed that we had, in hand, in the region of $64m. We do not know where this figure comes from, but it certainly does not relate to reality. Maybe the British official in question is confusing budget provisions with cash. A provision in our budget means an authorisation to spend a given amount of money. That amount can only be spent, however, once we have received in cash the contribution from member countries. The fact of the matter is that FAO began 1988 with $27m cash in hand in our General Fund, and $62m in outstanding obligations; that is, $35m in the red. These figures are indisputable.

Richard Lydiker,
Director of Information,
FAO,
Rome

FOREIGN AFFAIRS

Hearing the message of the uprising

Edward Mortimer, recently in Jerusalem, assesses Israel's chances of escaping 'South-Africanisation'

NOT SO long ago it was regarded as a mark of extreme anti-Zionism, if not anti-Semitism, to suggest that Israel might, if it remained too long in occupation of the Arab territories conquered in 1967, come to resemble South Africa.

Now, that "odious comparison" is so widely made that an internal Foreign Ministry document has been prepared, instructing Israeli representatives abroad on how to respond to it. It is also extensively discussed inside Israel.

Last week, for instance, the Jerusalem Post published an exhaustive analysis, written by a rabbi, which listed 24 similarities and 12 differences, concluding with a plea "that there should be no knee-jerk lumping together of the two countries".

Next to this was an article attacking a lecture given by General Rafael Eitan, the former Chief of Staff who is now a right-wing member of parliament, a few days before the present disturbances in the occupied territories broke out. He had apparently denied that blacks in South Africa were "persecuted" and added: "The blacks there want to take over the white minority, just as the Arabs want to take us over."

It is obviously an embarrassing state of affairs for the Foreign Ministry and for the Labour Party. However, it does not seem to bother the Prime Minister, Mr Yitzhak Shamir. His Likud bloc and its potential allies to the right know what they want and do not much care what the rest of the world thinks of it. They regard South Africa, not exactly as a model, but as a useful ally which shares some of their problems and some of their outlook.

What they want is the incorporation of the territories into Israel without giving civil and political rights to the Arab inhabitants. For this purpose the present regime, in which they exercise the rights of a belligerent occupying power without accepting the limits imposed on the treatment of the civilian population by the Fourth Geneva Convention, is preferable to outright annexation which would extend to the inhabitants the protection of Israeli civilian law.

Mr Shamir's Likud block would prefer to keep the Arab inhabitants as a submissive labour force with separate residential areas. For the moment it rejects the idea of "transferring" the population elsewhere, advocated by the extreme right leader Rabbi Meir Kahane. But at least one Likud deputy minister has supported it publicly; and it could gain much wider support if the Arab population continues to show itself anything but submissive.

One way or another, the Palestinian "uprising" is likely to mark a turning-point in the history of Israel. For what it amounts to is a spectacular rejection of the South-Africanisation of the Israeli-Palestinian problem.

In a column on the 20th anniversary of the occupation last June, I argued that the occupation had wiped out the effects of the 19-year partition of Palestine which preceded it. This brought the problem back to its pre-1948 nature: two communities, Jewish and Arab, facing each other in one country.

But the Palestinians of the occupied territories realise what has been happening. They refuse to see themselves as underprivileged citizens of Israel and insist on defining themselves as a separate people under foreign occupation. They unanimously demand their own independent state.

Of course there are maximalists, mainly Islamic fundamentalists, who would like to see Israel wiped off the map and pre-1948 Palestine restored to its place as part of the Arab nation and/or the Moslem *umma*. But, for the moment, they have fallen into line behind the demand for an end to the occupation.

One should not forget that all the Arabs under the age of 40 in the West Bank and Gaza were born where they now live. Of course, those whose parents were refugees know which village in pre-1948 Palestine they belong to. But the West Bank and Gaza are the homes they have grown up in, and they know the Israelis not as a pushy immigrant community but as a foreign occupying force from a neighbouring state.

By their uprising, and by the Israeli authorities' clumsily violent response, the Palestinians have managed to put their problem back on the international agenda, reminding the world community of all those United Nations resolutions and peace initiatives which had been allowed to become dead letters.

They have also reminded the Israelis how undesirable it is for both sides to allow the South-Africanisation process to continue. Most Israelis can see that and would like to avoid committing themselves to permanent overlordship of this bitterly disaffected population. Many, perhaps a majority, would be happy to see a withdrawal from at least the bulk of the territories, if credibly assured that the land given up would not then be used as a springboard for attacks on Israel proper.

But that side of the Israeli political spectrum is divided and demoralised. Its representatives within the Government cling to the view that such a credible assurance could only be obtained from King Hussein of Jordan.

However, a growing minority is ready to hear the message of the uprising: that the Palestinians have lost faith in and patience with the Arab rulers, and that they insist on their status as an independent people and on the Palestine Liberation Organisation as the irreplaceable symbol of that independence.

That minority realises that the PLO, by offering to negotiate with Israel, has already accorded it *de facto* recognition and would grant it *de jure* in return for a corresponding Israeli recognition of the Palestinians' right to exist in their own state. It understands that the PLO, because it is accepted as a legitimate leadership by the population, has a far better chance of enforcing an agreement than King Hussein.

Part of the Labour Party, led by the Defence Minister, Mr Yitzhak Rabin, has allowed itself to be driven into alliance with the right in its anxiety to see the Palestinians reduced to submissiveness before any peace moves are undertaken. Another part, led by the Foreign Minister, Mr Shimon Peres, feels betrayed by the willingness of outsiders – particularly the US Government and the American Jewish community – to subsidise Israel even more generously through the years of the Likud Government. This has destroyed Labour's strongest argument: that Likud's extreme policies would antagonise Israel's supporters abroad.

It applies also to the European Community. The EC does not provide Israel with vast cash subsidies, but it is by far the biggest export customer and allows access to the European market on preferential terms. An agreement updating those terms, to take account of Spanish and Portuguese membership, was approved by the Council of Ministers in December and awaits ratification by the European Parliament. Mr Hans-Dietrich Genscher, president of the Council of Ministers, promised on a visit to Israel last week to press for unconditional ratification.

Why? Why should the EC – whose heads of government often express concern about the Middle East, support for Palestinian rights and a belief that Israel should withdraw from the occupied territories – lay aside its one important lever on Israeli policy?

By putting EC money where its mouth is not, the Community helps Israel's hawks retain their credibility, and so helps maintain Israel and the Palestinians on a collision course that can only be disastrous for both.

FINANCIAL TIMES

Tuesday February 2 1988

Shultz to visit Moscow for talks with Shevardnadze

BY CHARLES HODGSON IN MOSCOW

MR GEORGE SHULTZ, the US Secretary of State, is to visit Moscow on February 21-23 for talks with Mr Eduard Shevardnadze, the Soviet Foreign Minister, aimed at preparing the ground for a fourth superpower summit later this year.

The official Tass news agency quoted Mr Gennady Gerasimov, the Soviet Foreign Ministry spokesman, as saying that the visit was the first in a series of planned exchange visits by the two foreign ministers agreed at the Washington summit in December between President Ronald Reagan and Mr Mikhail Gorbachev, the Soviet leader.

Mr Gerasimov said that the aim of the talks was to "conduct the necessary preparation of the draft treaty on the 50 per cent reduction of strategic offensive arms...and to create conditions for President Reagan's forthcoming visit to Moscow to end with a concrete result."

Mr Reagan said after the Washington summit that he hoped to go to Moscow to sign a strategic arms reduction treaty (Start) in the first half of this year.

Senior US officials have said that major obstacles remain to an agreement to cut strategic arms but that agreement could still be reached this year.

Mr Reagan has indicated that he would be prepared to travel to Moscow even if a treaty were not ready for signature, and US officials have said that, unlike the Washington summit, when Mr Gorbachev insisted that a draft treaty on eliminating intermediate-range nuclear forces be prepared for signature before his visit, the Soviet Union had not made holding a Moscow summit dependent on having a Start treaty to sign.

Mr Gerasimov added that Mr Shultz and Mr Shevardnadze would also discuss "other questions that will be topical at the time of the visit."

These are expected to include regional issues such as Afghanistan and bilateral affairs.

Eduard Shevardnadze and George Shultz: to discuss summit

David Marsh in Bonn looks at the Chancellor's political style as he visits Britain

Adversity fails to ruffle Kohl

MRS MARGARET Thatcher, the British Prime Minister, will today have a first-hand chance to explore whether the difficulties being experienced by Mr Helmut Kohl's Bonn coalition have dented the West German Chancellor's self-confidence. The chances are that she will find this is not the case.

Mr Kohl, who travels to London today for talks with the British premier, is exuding an air of jaunty resolution in spite of perennial doubts about his leadership qualities at the head of a permanently fractious administration. Mr Kohl's friends say this resolution is a sign of his long-term perseverance while his opponents say it looks dangerously like arrogance.

Today's talks will take place in a strained atmosphere. The British Foreign Office complained last week about Bonn's stance on terrorism – London believes efforts made in the West German capital to free two German nationals kidnapped in Lebanon have contradicted European Community guidelines on firm dealings with hostage-takers. The complaint has been rejected by a Bonn government spokesman.

In addition, the two sides still seem to be far apart on the thorny question of EC agricultural reform, while West German views on the next stage of nuclear disarmament have also caused irritation in London.

As well as the political differences, there is an element of personal discord between the two leaders. This seems to be a matter, above all, of style. In spite of their similar political views, Mr Kohl's verbosity does not go down well with Mrs Thatcher. "She likes to come to the point; with Kohl, it is all preamble," says one diplomat here.

The Chancellor's aides point out that he can be decisive to the point of brusqueness in private. But his wordiness can cause a special problem when, as in conversations with Mrs Thatcher, his remarks need to be translated, and the listener has to hear the flow of speech twice over.

According to one story, circulated during earlier trips to London when Mr Kohl was leader of the Opposition, his interpreter became so used to set conversational speeches that he would sometimes translate well-honed Kohl phrases which, on that occasion, he did not actually use.

Mr Kohl's love of rambling anecdote is summed up by another senior foreign diplomat here who says that when talking to Mr Kohl "you've got to get the question across concisely. Don't give him the chance to start talking about the last time he was in Hungary." Another diplomat commented: "I don't know whether I can stand hearing him talk again about his two boys in the army."

When it comes to criticism, Mr Kohl, his aides say, tends simply to ignore it. The recipe has stood him in good stead throughout his political career, and the Chancellor has had particular opportunity to put it into practice during the latest bout of coalition squalls.

Mr Kohl's aides also try hard to make a virtue out of adversity, saying that frequent coalition discord is just one example of openness of debate in West German politics.

All the same, even the Frankfurter Allgemeine Zeitung, the conservative daily newspaper which always used to be counted as one of the Kohl administration's firmest allies, last week took issue with the style and efficiency of the Kohl administration. Latest events, it said in a front-page editorial, should give the Chancellor cause for "alarm." There was "permanent cause for wonder" at what the newspaper called a "dilettante" approach to government.

The lack of a firm hand on the government tiller has been illustrated most crassly by the recently-ended trip to South Africa and Mozambique by Mr Franz Josef Strauss, leader of the Bavarian Christian Social Union (CSU) coalition party and an old sparring partner of Mr Kohl's.

Mr Strauss went as an official emissary of the Bonn Government, but he angered, above all, the liberal Free Democratic Party (FDP), the junior coalition partner, by appearing to stand up for apartheid, and to undermine the official Bonn line on Namibia and the South African homeland states.

Faced with what looked like an attempt to displace the official disapproving line on South Africa set down by Mr Hans-Dietrich Genscher, the FDP Foreign Minister, Mr Kohl was forced to make a statement yesterday to calm matters down.

The episode with Mr Strauss, says one official close to Mr Kohl, was one example of "how difficult it is to be in a coalition with the CSU."

There has been no shortage of other disagreements. These spread beyond a string of recent coalition squabbles over health and social security spending, and on law and order.

And Mr Kohl has faced problems on the economy, including his Government's brush with the Bundesbank, the constitutionally independent central bank, over the setting up of a Franco-German economic committee which could constrain its autonomy; and disarray over announcement of a big increase in the budget deficit. These indicate that, in the area of the economy, where the Government needs to show its deftest touch, competence has gone astray.

Mr Kohl has taken all this in his large stride. One Bonn ambassador who knows him well, sees this inability to be rattled as a mark of strength. This ambassador, somewhat atypically, finds Mr Kohl a good deal more impressive than former Chancellor Helmut Schmidt. "There's far more to Kohl than meets the eye," he says. "He has a good grasp of Europe...he has a real sense of where he wants Germany to go."

Another ambassador here has a less flattering impression of Mr Kohl's leadership qualities. "He's good at presiding over a committee as long as it's in agreement," says this diplomat. "But if it's in disagreement, he doesn't have any better ideas than to send the people out of the room and ask them to sort it out."

Given the tricky questions of EC reform faced by West Germany during its current period of presidency of the Community, this does not bode well for the Chancellor's ability to steer through solutions in some of the areas on his agenda with Mrs Thatcher today.

Smiling through: Kohl remains resolute despite the problems facing his coalition government

Summit run-up starts in earnest

The diplomatic run-up to the European Community summit to be held in 10 days' time began in earnest yesterday. West Germany, current holder of the EC presidency, gave an assurance that it was not aiming to isolate Britain at the meeting, and Britain showed signs that it might be willing to be conciliatory over at least one aspect in the budgetary and agricultural debate. Meanwhile, British Prime Minister Margaret Thatcher was expected to pull out all the stops today to try to persuade West German Chancellor Helmut Kohl to accept more radical reform of Community farm policy. However, diplomatic observers considered the chances of a breakthrough slim. Page 2

Seagram wins bid battle for Martell

By George Graham in Paris and Lisa Wood in London

SEAGRAM, the Canadian drinks group, has defeated Grand Metropolitan, its UK rival, in the battle to win control of Martell, the French cognac producer.

The Martell board last night unanimously recommended Seagram's increased FFr5.25bn ($937.5m) bid, which tops the third and final offer from GrandMet by 5 per cent.

GrandMet said that it would not raise its bid again and, in the absence of other potential bidders, the cognac house, which has remained in the hands of the Martell family for eight generations, will join the Seagram empire.

GrandMet said it would probably sell its 22 per cent stake to Seagram, rather than remain a minority shareholder.

The UK group's disappointment will be tempered by the £36m ($63.72m) net profit it will make on its shares sale. GrandMet also believes that Seagram will honour a joint distribution agreement between it and Martell which has particular strategic importance for GrandMet in the small but expanding Far Eastern markets.

The Martell family said last night that, in addition to offering the highest price, they believed Seagram was the best possible partner.

Throughout the contested takeover Mr Rene Firino-Martell, the company's chairman, has strongly supported the Canadian family-controlled group, but the board had reluctantly accepted GrandMet's third offer.

The battle for Martell has been one of the most hotly disputed the Paris stock market has seen. It is the second time in less than a year, after the auction for industrial gas producer Duffour et Igon, that a French company has been fought over in the market by rival foreign bidders.

Mr Firino-Martell had agreed by a private deal in December to sell the 41 per cent block of shares controlled by his family to Seagram at a price of FFr2,500 a share. Seagram had already bought around 12 per cent of Martell in the market.

The deal came unstuck on the objections of GrandMet, then the company's second largest shareholder with 19.9 per cent and a major distribution agreement, and on the annoyance of the French stock exchange authorities at what they felt was an attempt to bypass normal market procedures.

The acquisition gives Seagram one of the four major cognac brands which will strengthen its portfolio of international brands which include Chivas Regal.

With Hennessy forming part of the Moët Hennessy-Louis Vuitton group and Courvoisier owned by Hiram Walker, only Remy Martin among the major brands remains in family hands.

Alleged 'Waldheim telegram' is missing

BY JUDY DEMPSEY IN VIENNA

Waldheim: not disturbed

A HISTORIAN delving into the wartime past of Mr Kurt Waldheim, Austria's president, flew to Yugoslavia yesterday, seeking a document alleged to implicate Mr Waldheim in the transportation of partisans to concentration camps.

There were conflicting reports, meanwhile, about the whereabouts of the alleged document.

Mr Manfred Messerschmidt, a member of an historians' commission investigating Mr Waldheim's activities flew to Yugoslavia after Der Spiegel, the West German magazine, claimed to have a copy of a wartime telegram sent by Mr Waldheim. The telegram allegedly requested transportation of 4,224 civilian prisoners at Kozara in Bosnia to concentration camps near Belgrade.

Der Spiegel said the document had been discovered in a Zagreb archive by Mr Dusan Plenca, a Yugoslav military historian. But an official in the city's main archive said yesterday such a document was not in Zagreb. Mr Plenca confirmed this, declaring the original was in archives in Belgrade.

According to Reuter's newsagency, Mr Plenca said he had no intention of helping Mr Messerschmidt to locate the document and accused Mr Messerschmitt of working "superficially." But the AP newsagency quoted Mr Plenca as saying he was in fact willing to help Mr Messerschmidt.

Mr Plenca insisted that the document was genuine and threatened to sue the Austrians for suggesting it was a fake.

Mr Waldheim said he was not disturbed by the Spiegel article. In an interview with Die Presse, an Austrian daily which has supported him, Mr Waldheim said the latest document is "of the highest unreliability."

An Austrian official said: "It should not be ruled out that this (document) is a forgery" given that neither Der Spiegel nor the six-man commission of historians set up by the Austrian Government to investigate Mr Waldheim's past had actually seen it.

These events come just days before the historians' commission is due to present its report to Mr Franz Vranitzky, the Austrian Chancellor. In West Germany, Mr Hans-Peter Martin, the Spiegel journalist who broke the story, said the magazine had no doubt the document was genuine.

"If we thought it was a forgery, we wouldn't have printed it," he said.

World Weather

Brazil plans $350m payment to banks

BY ALEXANDER NICOLL, EUROMARKETS EDITOR, IN LONDON

BRAZIL is to make a $350m payment today to its commercial bank creditors to help cover interest arrears for 1988.

The announcement by Mr Fernando Milliet, the Central Bank president, and Mr William Rhodes, the Citibank executive who chairs the bank advisory committee, appeared to suggest a significant warming in relations between the two sides.

Mr Rhodes said the payment was "an example of the improving relationship between Brazil and its commercial bank creditors."

He and Mr Milliet said both sides, which have been negotiating in New York for over a week, wanted to reach a medium term rescheduling agreement as soon as possible.

Brazil plans further interest payments as the medium term negotiations progress.

The two sides have been negotiating over 1988 payments because Brazil failed to resume keeping interest payments current from the beginning of January. Banks had thought that Brazil had undertaken to do so as part of an interim agreement late last year.

Today's payment is likely to cover about one third of January interest, but it was also disclosed that Brazil has made other payments totalling $85m in January. The $350m is to cover interest due on January 15, though other January payments will remain unpaid.

The January 15 payment was chosen because under the terms of Brazil's previous rescheduling agreement, it covered a larger number of banks than other due payments.

THE LEX COLUMN

Lawson pulls a fast one

It might seem odd that the markets were surprised by yesterday's rise in base rates. The Governor of the Bank of England had said back in early January that rates were going up, then he said it again last Friday, but no one believed him. Even after the Bank raised its rates yesterday lunchtime, equities remained frozen in astonishment until the clearers got round to falling in line four hours later.

The analysts, jobbing backwards with the practised ease of Lawson-watchers, were quick to explain the logic. The reduction in rates late last year was a crisis response which allowed for the worst possible consequences of the market crash. The economy in general, and consumer credit in particular, now point the other way; and since the Government would plainly not want to raise rates at the time of the Budget, it has opted to go sooner rather than later with the same kind of pre-emptive strike used back in August.

As it happened, sterling at DM2.966 yesterday morning was almost exactly where it was at the time of the August rise. This weakness, combined with a rally in equities, provided a convenient window for the authorities, with the result that the FT-SE100 index struggled heroically through the 1800 barrier only to be knocked on the head a few minutes later.

So now what? Optimists point to the widening gap between gilt and US bond yields, now a little over 1 per cent; but in the past 18 months, the gap has been anything between 3 per cent and zero. Pessimists say the mortgage lenders, as chief culprits on the consumer credit front, need another hike before they get the Government's message. Agnostics say as long as there is a fixed exchange rate policy interest rates will jump around any old way. A puzzling start to February.

Martell

If the Martell family had been playing off one suitor against another all along, it could scarcely have hoped for a result more to its liking. In Seagram it has secured its preferred partner, while by flirting with Grand Met it has succeeded in upping the ante by almost 30 per cent.

An element of skilful scheming might also be traced in Grand Met's behaviour. By making its final offer twice as generous as was required, it has inflated the profit on its stake to about £40m. Seagram's footwork, on the other hand, has perhaps been less dainty, and although it has emerged victorious, winning has not been cheap. An exit p/e of over 30 makes this one of the drinks sector's most expensive deals yet, the crash notwithstanding. Seagram may well argue that as the supply of first class brands shrinks it is natural that the price should rise, and that, moreover, the charms of Martell's Far East network and big selling cognac are unique.

Yet Seagram's deal does not succeed in unlocking those charms: unless it can annul Martell's distribution with Grand Met, it will find itself sharing them with its old rival. Even though both companies' international brands may prove distinct enough to allow them to co-exist in the Far East, it is unlikely that Seagram would tolerate such an arrangement for long. Termination, on the other hand, may prove costly.

Bank provisions

There is a danger that the bigger and stronger a bank, the more likely it is to flaunt its financial muscle in order to gain an advantage over its weaker rivals. In the US, Citicorp is an obvious example. Its surprise decision of last May substantially to strengthen its reserves against its Third World debt led to an immediate jump in its share price and gave it a competitive advantage which it used to raise extra equity capital. However, its move highlighted the exposed position of some of its less well capitalised rivals, which is unlikely to have pleased US bank regulators. And it also sent a message to Third World countries which could make solutions to the Third World debt crisis more expensive.

Yesterday, the Governor of the Bank of England issued a thinly veiled warning that he did not want the wealthier UK clearing banks to follow Citicorp's example and rock the boat by declaring massive provisions next month. Maybe NatWest can afford it, but Standard Chartered and Lloyds cannot.

Cable and Wireless

It may be conventional stock exchange wisdom that the sum of the parts is greater than the whole, but Cable and Wireless is stretching the point. In its case, one of the parts on its own is greater than the whole, leaving the rest worth less than nothing: in Hong Kong, C and W's 80 per cent share of Hong Kong Telecommunications has a theoretical capitalisation of £4.1bn, while in London the whole of the company is capitalised at only £3.6bn.

The temptation to say that such an anomaly cannot persist in this age of global markets should, however, be resisted: itcan, and probably will. Hong Kong may have seen fit to value the territory's largest company at 25 times current earnings, twice its own average market multiple. But there is no reason that London should do the same. Even in the global marketplace, there are barriers to the free migration of multiples across international boundaries – especially when one of the markets involved is under a political cloud.

FINANCIAL TIMES
Tuesday February 2 1988

BP victory in Britoil bid may hinge on safeguards

BY PETER RIDDELL AND STEVEN BUTLER IN LONDON

THE UK Government may not use its "golden share" to stop BP, the leading British oil group, from taking management control of Britoil, the Glasgow-based oil group, provided specific safeguards are agreed in talks this week about the latter's involvement in Scotland and its future North Sea development plans.

A shift in the Government's approach from its previous opposition to BP control was indicated in the House of Commons yesterday by Mr Nigel Lawson, the Chancellor. This follows the sale by Atlantic Richfield of the US of its 24 per cent holding in Britoil to BP, whose stake has been increased to nearly 54 per cent.

Under the terms of the privatisation of Britoil in 1982 the Government has a single special or "golden share" which can outvote all other shares in determining the control of the company.

Mr Lawson said that the powers of the special share would be used for so long as it was in the national interest to do so, and he added, for the first time, that this would fully take into account "what is best for Scotland and for the development of the North Sea."

Later exchanges suggested that Mr Lawson is envisaging a deal which would permit BP to take full control of Britoil provided specific undertakings are given both that the Scottish dimension is protected, with Britoil's headquarters remaining in Glasgow, and about its North Sea plans.

One possibility is apparently that the "golden share" might be retained for three to five years to ensure compliance.

Britoil was trying to see how much was new in the Chancellor's remarks, which came shortly after the Britoil board urged shareholders to put off acceptance of the BP offer. The BP offer will remain valid at least until Feb 26.

Britoil is concerned that the interests of shareholders, some of whom participated in the Government's privatisation effort, be protected over and above the "national interests" referred to in the Chancellor's statements.

The Chancellor's remarks imply that Britoil would continue to exist as a separate company, with its own board, and raise questions about how BP would impose its own financial and management discipline.

Forstmann outbids Emhart with $820m Stanadyne offer

BY OUR FINANCIAL STAFF

FORSTMANN LITTLE, the US leveraged buyout specialist, yesterday announced a definitive agreement to buy Connecticut-based Stanadyne for $55 a share, or about $820m, outbidding Emhart by more than $200m.

In a joint announcement with Stanadyne, which manufactures precision building products for consumer and industrial use, Forstmann said the transaction was fully financed and not subject to a financing condition.

The deal, if completed, would be a heavy blow for Emhart, the US consumer and industrial products group which had offered to buy Stanadyne for $40 a share. On January 20 Stanadyne, whose products include plumbing parts and kitchen and bathroom taps, rejected the offer as inadequate and not in the best interests of stockholders. Emhart had no comment on the buyout agreement yesterday.

The Forstmann unit to acquire Stanadyne has been granted an option to buy 4.8m shares of Stanadyne common and class A common – about 35 per cent – owned by trusts established by the will of Beatrice P. Delany.

Stanadyne agreed to pay Forstmann a commitment fee of $1.50 a share and to reimburse Forstmann for its expenses up to $7m if the transaction is not completed under certain conditions, the companies said.

"We are delighted to be able to achieve this excellent value for our shareholders," said Mr George J. Michel, Stanadyne's chairman and chief financial officer.

Stanadyne earned $41.9m or $2.90 a share in 1987 adjusted for an October 1987 three-for-two stock split, compared with $21.1m or $1.47 a year earlier. Sales rose to $543.6m from $492.8m in 1986.

Stanadyne's stock was trading up $7¼ at $54¼ a share at midday yesterday.

Pru-Bache unit loses $100m

BY JANET BUSH IN NEW YORK

PRUDENTIAL-BACHE Securities, owned by the Prudential Insurance Company of America, incurred a loss of about $100m in 1987 due partly to rapid expansion of its staff and various special charges but also because of a negative impact on profitability from the October share price collapse.

Prudential Insurance, which is owned by policy-holders, and its subsidiary Pru-Bache, do not report earnings formally. However, the unit confirmed yesterday that its loss in 1987 would be around $100m compared with a profit of $81.7m in 1986, which included a $25m charge for hiring additional staff.

An official said the special charges incurred last year included expenses related to litigation in the Hunt Brothers silver case, costs incurred in the closure of a subsidiary which financed international trade and a settlement in litigation involving bonds Pru-Bache and other firms sold for the Washington Public Power System. He declined to break down the amounts involved in each case.

There was also an impact on the company's profitability from the October share price crash with some losses on arbitrage operations and some because clients failed to meet margin calls. The company also faced large overtime payments during the period of extreme market volatility.

Pru-Bache, which has around 17,000 staff, hired more than 1,000 new employees last year in a substantial expansion of its international and investment banking businesses. These hirings also had a negative impact on profits.

The official said yesterday that the company had achieved some job reductions last year, the bulk of them since last October in the computer and clerical areas. He said the company would continue to trim staff but in a sensible and sensitive way.

Wall Street cools to purchase of E-II

By James Buchan in New York

WALL STREET yesterday responded without much enthusiasm to the $1.1bn "Pac Man" purchase of E-II Holdings by American Brands announced late on Sunday.

Analysts said yesterday that the deal was a deft coup for Mr Donald Kelly, the 65-year-old E-II chairman who has been menacing American Brands with takeover, but brings only modest benefit to the diversified cigarette maker, which has annual sales of more than $9bn.

American Brands stock fell $2⅞ to $43⅞ in early trading yesterday in response to its agreement on Sunday to buy E-II for $17.05 a share, while E-II rose $2¼ to $16⅝. As part of the deal, Mr Kelly agreed to drop plans to seek control of American Brands' board and promised not to buy the company's stock for 10 years.

Analysts say the deal gives a handsome profit to E-II stockholders – above all, Mr Kelly, his management and two Wall Street firms, Drexel Burnham Lambert and Kohlberg Kravis Roberts, which together control 30.9 per cent of the company on a diluted basis.

E-II, which consists of a group of consumer products businesses spun off from Beatrice of Chicago, was floated as Mr Kelly's new takeover vehicle at $15 a share last summer. But it has since lost $132m in the stock-market October crash.

There is a lingering suspicion on Wall Street that Mr Kelly launched his assault on American Brands last month to provoke the counter-offer and cash out of a troubled stock market. American Brands is also redeeming at a premium to face value $1.5bn in E-II junk bonds which were issued at the time of the flotation.

In the first use for years of the so-called Pac Man defence – where a takeover victim gobbles up its attacker in the manner of the well-known video game – American Brands last month offered $13 a share for E-II. But at hectic meetings over the weekend, E-II provided new information that "demonstrated that there is substantially more value in E-II," according to Mr William Alley, American Brands chairman.

Mr Alley also said the purchase would not only "remove the threat to American Brands posed by E-II" but also allow the company to create a new hardware and household products business and expand its office products business.

David Owen in Toronto reports on the stalking of Federated Department Stores

Campeau chases his biggest prize

LITTLE MORE than a year has passed since Mr Robert Campeau, the Canadian developer, threw a party at the reconstructed Temple of Dendur in New York's Metropolitan Museum of Art to celebrate the success of his daring US$3.6bn raid on Allied Stores.

At the time, many analysts expected Mr Campeau's Toronto-based Campeau Corporation to be brought to its knees by the mountain of debt it had taken on to finance the purchase. "Is Campeau in over his head at Allied Stores?" wondered Business Week last February.

However, last week the former Inco machinist was back on the acquisitions trail, chasing the even bigger prize of Federated Department Stores – owner of Bloomingdale's, Filene's and much else besides. Is this not a case of the pushy francophone's eyes being bigger than his stomach?

With markets so unsettled, the prudent answer is that, yes, it may well be the case. Mr Campeau has, after all, been known to overstep the mark – most notably in 1980 when he raised the hackles of the entire Bay Street financial community by attempting to seek control of Royal Trustco, then Canada's largest trust company.

Nor is Campeau Corporation yet back in the financial pink, having recorded a net first-half operating loss of C$85.8m (US$66m) on revenues of C$1.9bn.

Nonetheless, the mercurial 64-year-old, who for years was known simply as an Ottawa house-builder, has won many converts over the past 12 months of frenetic activity.

In a nutshell, Campeau has scythed its estimated C$8.5bn end-1986 debt load with remarkable alacrity. Mr Harry Rannala at Merrill Lynch Canada puts the corporation's current debt at a manageable C$5bn or so. The drastically pared-down Allied Stores, he projects, will rake in after-tax 1988 profits of US$75m to US$125m.

Robert Campeau: Eyes bigger than stomach?

Observers initially began to change their tune about the wisdom of Mr Campeau's gamble in February when a US$1.15bn securities issue (comprising $250m of preferred shares, $200m of 10½ per cent notes and $700m of 11½ per cent debentures) was greeted by exceptionally strong investor demand. The proceeds enabled Campeau to repay temporary loans from First Boston, its investment adviser, that were used to finance part of the acquisition.

Mr Campeau has also scored points by slashing overheads at the New York-based chain. By September, Allied was anticipating annual savings of US$70m and a two-thirds reduction of corporate staff.

But it was with the quickfire sale of Allied assets during 1987 that Mr Campeau really turned heads. Two-thirds of the chain's 24 operating units were put on the block, enabling the company to repay its lenders some US$1.1bn.

While many initially thought that time pressure would force Campeau to sell the stores for less than their value, analysts now say that this has not been the case. Not only that, but he has also unequivocably kept the crown jewels.

The units that remain under Campeau's wing, including Jordan Marsh and Brooks Brothers, last year contributed 62 per cent of sales and 87 per cent of profits.

On December 30 the corporation said Allied had completed the refinancing of its remaining $2.1bn bank debt on terms which "will result in significant interest cost savings in the future." It also paid "all amounts due" to Mr Edward DeBartolo, Allied's white knight, meaning that the Ohio developer's bothersome option to buy 35 per cent of Allied had been terminated.

Meanwhile, the developer has applied the techniques learnt from the Allied pruning to his substantial property portfolio. By end-November the corporation had sold an estimated C$500m of North American property in 1987 alone. "There will be more of that activity continuously," predicts Merrill Lynch Canada's Mr Rannala.

In short, the question marks hanging over Mr Campeau's US store-buying sequel have less to do with Allied than the radically changed business climate and Ohio's recently enacted anti-takeover laws.

Cincinnati-based Federated responded to Mr Campeau's would-be "friendly" advances by seeking a declaratory judgment that the Ohio Takeover Act was constitutional and applicable to Mr Campeau's $47 a share tender offer.

The law was passed in the aftermath of the abortive 1986 raid by Mr James Goldsmith, the Anglo-French financier on the pride of Akron – Goodyear Tire & Rubber.

Few would deny, however, that Federated, an unwieldy retailing giant with strong cash flow, undervalued property holdings and insipid recent profit record is a likely candidate for a leveraged buyout.

Or indeed that Mr Campeau himself, with his property expertise and recent intensive exposure to the US market for store chains, would make an astute and steady-handed surgeon.

In addition, Mr Campeau has recently acquired inside knowledge of Ohio merchandising through Mr Robert Morosky, a 15-year veteran of The Limited women's clothing group, who has taken over as president.

Waiting in the wings is New York developer, Mr Donald Trump, who is sitting on a 21 per cent holding in Alexander's, the department store chain whose flagship property is opposite Bloomingdale's own E59th Street location.

Federated gave notice this month that Mr Trump was seeking anti-trust clearance to buy $15m of its stock and had indicated that he might buy 15 per cent or more.

Resorts recommends new Trump offer

BY OUR FINANCIAL STAFF

RESORTS International, the Atlantic City-based casino group, said a special committee of its board had agreed to recommend acceptance of a revised merger proposal from Mr Donald J. Trump, the New York property developer who has about 88 per cent voting control of the company.

Under the proposal, holders of Class A common stock and Class B common stock would be entitled to $22 a share in cash. Mr Trump previously offered $15 a share for Class A stock and had bought some Class B shares that he did not already own for $135 a share.

Under Mr Trump's proposal, a tender offer would begin for all shares of Class A common at $22 a share in cash

Varity to reorganise Europe operations

VARITY, the Canadian group whose interests include Massey-Ferguson, the tractor maker, is to reorganise its European components businesses.

Varity called the move a further step in the company's evolution as a management holding company.

Armco stages $117m recovery in earnings

By Our Financial Staff

ARMCO, the diversified US steelmaker, barely broke even in the final quarter of 1987 but still achieved earnings of $117.6m for the full year, including $50.9m income from unusual items, on sales of $2.93bn.

This compares with a $472m loss in the previous year, which includes $454.3m special charges and losses from discontinued operations, on sales of $2.64bn. Earnings per share were $1.38, compared with a $7.04 loss previously.

Fourth-quarter earnings were $3.1m, after a $14.6m charge, or 1 cent a share, on sales of $787.4m, compared with $34.6m last time, which included income of $26.6m for Lifo adjustments and special credits, or 49 cents a share, on sales of $668.2m in 1986.

Mr Robert Boni, chairman and chief executive officer of the New Jersey-based company, singled out the contribution made by the flat-rolled carbon steel business, whose resurgence began in the fourth quarter of 1986. Yearly sales increased by 24 per cent, to $1.94bn, from $1.57bn.

Santa Fe board changes

BY OUR NEW YORK STAFF

SANTA FE Southern Pacific, the Chicago-based rail, energy and property group which is attempting a large-scale restructuring of its businesses, has allied with the Reichmann family of Toronto to defeat a rebellion by its largest shareholder, Mr Michael Dingman's Henley Group.

Santa Fe said over the weekend that it had appointed to its board Mr Paul Reichmann and Mr Marshall Cohen, senior executives of the Reichmanns' private property and energy group, Olympia & York.

Olympia & York, North America's largest property developer, revealed yesterday that it owned 10.15 per cent of Santa Fe, with a market value of $680m. The company said last year that it was interested in acquiring Santa Fe for around $10bn but has not repeated its expressions of interest.

The new alliance appears to undermine efforts by Henley, which has at least 14.9 per cent of Santa Fe, to unseat the Chicago group's board by soliciting proxy votes for its own nominees. Henley opposes plans by Santa Fe's current directors to sell assets and pay stockholders a special $4.7bn in dividends.

Olympia & York said that it supported "the direction of the company's restructuring plan."

CP Hotels expansion

BY DAVID OWEN IN TORONTO

CANADIAN PACIFIC, the country's largest conglomerate, is to buy the hotel chain of Montreal-based Canadian National Railways, its domestic rail competitor, in a deal worth C$265m (US$209m).

The purchase will make the CP subsidiary Canadian Pacific Hotels the biggest owner of hotels in Canada. Among the properties to pass into CP's hands will be the well-known Chateau Laurier in Ottawa and Edmonton's Hotel Macdonald. The bid was the best of 40 offers received.

Government-owned Canadian National, which faces intensifying competition as a result of the deregulation of the domestic transport sector, is selling most of its non-rail assets to reduce debt. The company recently sold its trucking unit and has announced plans to seek buyers for two telephone utilities which it owns.

CN said that CP has agreed to continue operating all the properties as hotels and to absorb all of CN Hotels' employees.

CP currently operates 17 hotels across Canada.

BellSouth withdraws MCA offer

By Our Financial Staff

BELLSOUTH, the US telecommunications group, has withdrawn its $564m offer to acquire Mobile Communications of America, a fast-growing US paging and cellular telephone group.

The company did not disclose the offer terms but said extensive talks had failed to produce a final agreement. In 1986, the two companies formed a joint venture to provide a cellular radio telephone service.

Separately, however, Mississippi-based Mobile Communications said BellSouth had broken off talks when Mobile told the company of other potential buyers expressing serious interest, with offers in excess of BellSouth's proposal.

Mobile Communications offers nationwide paging services on a common frequency using satellite distribution facilities, with over 400,000 customers.

Tension mounts on eve of SGB decision

BY TIM DICKSON IN BRUSSELS

TENSION WAS rising in Brussels last night ahead of today's eagerly awaited verdict by the Belgian Banking Commission on Mr Carlo De Benedetti's proposed bid for 15 per cent of the shares in the country's most powerful company, Société Générale de Belgique.

Mr De Benedetti's apparent determination to take effective control of La Générale by adding to his existing 18.6 per cent stake has provoked a mixture of excitement and concern in Belgium and has inspired Mr André Leysen, a Flemish businessman, to rally to the support of the company's board.

The success of his initiative depends on whether a Brussels commercial court gives the go-ahead tomorrow to the board's plan to increase SGB's share capital by more than 25 per cent and thus dilute Mr De Benedetti's stake.

Most observers believe the fate of Société Générale will be decided this week and that the two rivals may end up doing a deal. However, one executive closely involved in the drama suggested last night that the Banking Commission's opinion could be delayed for a another week.

"We want to meet each other and we are looking for a date that suits us", Mr André Leysen said yesterday.

Mr Leysen, who speaks for a group of Belgian and European institutions, and Mr René Lamy, La Générale's head, yesterday met Mr Philippe Maystadt, Belgium's Economics Minister.

On Sunday Mr Maystadt said it was not the government's role "to interfere in such operations, or to take a position in favour of Mr X or against Mr Y." Its duty was to look at the economic consequences, the effects on employment and the impact on Belgium's position in international markets.

The meetings yesterday – plus one yet to take place with Mr De Benedetti – are clear signs of the growing political concern at probable changes in the ownership of a strategically important business.

Investors, meanwhile, largely took a back seat yesterday after the hectic trading in the company's shares last week. La Générale's stock closed at BFr3290 ($94.2), against BFr3430 at the end of Friday's session.

The Norwegian mini-computer group faces a long, hard road to recovery. **David Thomas reports**

Norsk Data takes a sledge-hammer to costs

MR ROLF SKAR, president of Norsk Data, the once high-flying Norwegian computer company which yesterday reported the worst financial results in its history, is used to receiving guests at his headquarters in the hills outside Oslo under very different circumstances.

Over the years, a stream of visitors have trekked to the high tech steel-and-glass structure to seek the secret of Norsk Data's success.

Mr Skar understandably enjoyed holding forth on the factors which had generated average sales increases of 43 per cent in the five years before 1987. Norsk Data's technological excellence, its commerical boldness, its informal atmosphere consciously modelled on a university campus, its staff loyalty, all contributed.

Since the tail-end of last year, however, visitors have been seeking out Mr Skar to ask a different question: what has gone wrong?

October brought the first signs of trouble, when Norsk Data said it was carving NKr150m off its NKr550m-600m ($94.2m) profit forecast for 1987. Then two weeks into the new year came the body blow: 1987 profits would be about half those of the previous year.

Is Norsk Data's progress the latest example of a trajectory followed by many European high-tech companies? They soar into the firmament, burn brightly for several years only to fizzle out almost as quickly, unable to mount a sustained challenge to the US and Japanese high-tech multinationals.

Or perhaps, as Norsk Data itself believes, is it the first company to be rocked by a development which will send shock waves through most of the computer companies in Europe – a sharp slowdown in orders by customers more cautious since the October crash?

Mr Skar painfully unfolds a story which contains elements of both these explanations, although the company puts nearly all the stress on the last of them: orders are drying up, a trend, it claims, also affecting most of its competitors, especially if results are reported in local currencies, rather than inflated by being translated into dollars.

Norsk Data gained market share in Norway, which accounts for about half its sales, by far its biggest market, but says that overall Norwegian demand was flat – a severe setback for an industry used to double-digit growth.

The US and India, Norsk Data's two main non-European markets, had their own problems. Orders did not materialise in the US, where Norsk Data's business consists almost entirely of two large defence contracts. In India, Norsk Data's sales took a nosedive when the Indians failed to buy the its technology.

In France, Norsk Data notched up "very modest" sales after the ending of its exclusive distribution arrangement with Matra, the French electronics group.

The UK was a relatively bright spot, although even there sales fell short of ambitious targets, partly, the company says, because management energies were diverted to integrating Wordplex, the word processing company acquired in August 1987.

Yet one country stands out as a black spot even among this catalogue of woe – West Germany, Europe's biggest market, which accounted for 9 per cent of Norsk Data's sales in 1986. Anticipating a surge in business, Norsk Data had added substantially to its German head count. In the event, the extra overheads coupled with flat sales resulted in spiralling losses.

Mr Skar blames the German shortfall on two factors. The first is nervousness after the October crash. The second, more long-term, is greater caution over computer purchases generally, now that the industry has matured and many customers are buying second or third generation sytems.

These factors hit Norsk Data badly in Germany, because it is not well-entrenched there and because most of its business is selling computer aided design and manufacturing (CAD/CAM) systems to industry, an area particularly affected by the new cautiousness, the company says.

Mr George Verghese, an electronics analyst with Deutsche Bank, agrees that Norsk Data is by no means alone in reporting fewer orders from the mechanical engineering sector. Ms Hilde Uhler, a Munich-based computer analyst with Dataquest, the US research consultancy, says German companies are now reluctant to order computer systems unless clear cost savings are attached to them.

But even if Norsk Data's claims about the German market are on balance supported by competitors and industry observers, the question still arises as to why the company failed to spot the trends.

Mr Skar refuses to blame his local managers for this hyper-optimism, saying the whole management team was responsible for assuming that Norsk would continue to grow

Even so, Norsk Data has reacted to its crisis by taking a fine tooth-comb to all its operations. Actions since the crisis include:

- Planning a more coherent marketing strategy, particularly for its non-Scandanavian subsidiaries. In future, they will concentrate on certain target markets, principally office systems, CAD/CAM and the publishing industry.
- A shake-up in research and development activities.
- A cost-cutting drive, including a crackdown on recruitment.
- Reacting to a tendency to spread itself too thinly by concentrating on those areas where it has reasonable market presence such as Scandanavia, plus the UK and West Germany.

Yet Mr Skar remains optimistic, believing that more of the industry's business will centre on high value-added software and solutions tailored to individual customers' needs, where he reckons the Europeans have a chance of taking on the Americans. After the jolt to its confidence last year, Norsk Data probably has one more chance to get it right.

NORSK DATA reported a decline of 50 per cent to NKr235m ($37m) in pre-tax profits for 1987. It said operating costs had soared by 25 per cent.

Operating profits tumbled by 66 per cent to NKr140m and the pre-tax margins on sales had fallen precipitously from 18 per cent to 8 per cent.

Norsk Data said that it had planned for a 20 per cent to 30 per cent increase in turnover for 1987, but that only 10 per cent growth to NKr2.84bn had materialised. It had enjoyed stronger growth in Scandinavia than its major competitors, but in the UK and West Germany expansion had fallen short of targets.

Total revenue from Scandinavia increased by 15 per cent to NKr2.06bn and in the UK sales jumped by 84 per cent. However, adjusted for the Wordplex acquisition sales growth in the UK was just 11 per cent.

Revenue growth increased by 23 per cent if translated into dollars, the company said. During the year orders improved by 14 per cent to NKr2.96bn. The ratio of orders to revenues was 1.04 compared with 1.01 in 1986 and 1.07 in 1985.

Total orders for computer equipment, including software licences, rose 10 per cent to NKr2.1bn.

Norsk Data, which had cash reserves at the end of the year totalling NKr2.07m, stressed that it had not completely shelved earlier plans for an new issue of equity shares.

Rolf Skar: finding out what went wrong

Total bids for rest of refining offshoot

BY GEORGE GRAHAM IN PARIS

COMPAGNIE FRANCAISE des Petroles, the French Total oil group, has offered to buy out the minority shareholders in Compagnie de Raffinage et de Distribution Total France (CRD), its refining subsidiary, for FFr776m ($138m).

The French oil group is offering FFr90 a share for the 28 per cent of CRD's equity that it does not already own. If the bid ends up with Total owning more than 95 per cent of the refining company, it has undertaken to buy up all the outstanding CRD warrants at FFr10 a warrant.

The refining sector has remained a source of losses for Total, as for other French oil companies, despite heavy investments. Total had earlier raised its stake in CRD from 55 per cent to 72 per cent, but the division is understood to have lost about FFr1bn last year, accounting largely for the group's failure to meet its profits forecast of FFr2bn to FFr2.5bn.

Mr Francois-Xavier Ortoli, Total's chairman, last week announced that the group would report net profits of about FFr1.5bn for 1987, after a loss of FFr1.25bn the previous year, with gains from the revaluation of stocks amounting to FFr600m.

French oil refiners as a whole lost an estimated FFr2.3bn in the first half of 1987 alone, as a result of the estimated 200m tonnes a year refining overcapacity in western Europe. They had returned briefly to profit in the first half of 1986 after losing money in 1984 and 1985.

Total said yesterday that CRD's lack of capital and the weight of its financial costs meant that it was unable to carry through its restructuring and warned that the outlook for 1988 was uncertain.

Dutch retail group sells chain of supermarkets

BY LAURA RAUN IN AMSTERDAM

KBB, A leading Dutch retail group, has sold its troubled Maxis chain of self-service supermarkets to Garvey Holding, a Swiss grocery group.

The Dutch group has taken a Fl 7m ($3.7m) book loss on the disposal. The loss combined with a heavy tax bill will weigh heavily on KBB's profits for the year ended January 1988, although they will still be higher than the Fl 74.4m of the previous year, KBB said yesterday.

Per-share earnings, however, are likely to be less resilient, the company said.

Maxis is a chain of seven large-scale, self-service supermarkets in the Netherlands, employing 3,000. It has lost money over the past couple of years as buyers have shunned its lower quality goods, relatively limited product range and mass-scale displays.

Garvey holding, which is paying cash for Maxis, operates several supermarket chains in the Netherlands, including Weltevreden, Grossierderij, Winkelen Met Plezier and Bingo. Garvey is a holding company for the foreign interests of Co-op, the big West Germany foods retailer.

KBB owns the Bijenkorf chain of department stores, the Hema chain of competitively-priced department stores, the Praxis chain of do-it-yourself stores and M&S clothing stores.

Milan bourse suspends troubled financial services concern

BY OUR FINANCIAL STAFF

CONSOB, THE governing body of the Milan bourse, has suspended trading in Eurogest, the financial services group widely reported to be in financial difficulties.

Consob also suspended Singest, Eurogest's fund management company, from the Florence and Genoa stock exchanges. Eurogest's main activities centre on Scotti Finanziaria, a property group, and Singest, which controls two unit trust funds.

Eurogest said that Scotti possessed real estate holdings of L200bn ($162.7m) while Singest managed funds totalling L150bn. However, one of Eurogest's trust funds had debts of L186bn, it said.

Scotti has been under investigation by the Italian Industry Ministry since late 1986. The ministry has made it clear it was determined to protect the interests of some 7,000 small investors.

Eurogest said the group was holding talks with possible buyers for Singest, but declined to disclose names. One Milan broker said yesterday: "It is never easy to sell something when everyone knows you are in a hurry to unload." Eurogest shares stood at L1,805 at the beginning of 1987. They were suspended at L318.

Australian buys Israeli state group holding

By Andrew Whitley in Jerusalem

MR JACK LIEBERMAN, an Australian Jewish businessman, yesterday purchased the Israeli Government's 75 per cent holding in the state-controlled Paz fuel group for $95m.

The purchase, made through J.G.L. Investment, Mr Lieberman's Melbourne-based holding company, is the largest foreign investment made in Israel. It breaks a drought of many years' duration in which foreign investment has registered under $20m a year.

Mr Moshe Nissim, the Finance Minister, who signed the agreement yesterday with Mr Lieberman, described it as both an important step in attracting foreign investment and in the Government's privatisation programme.

Businessmen say the credibility of the much-discussed programme had been cast in doubt because of the state's failure to find a buyer for Paz since it was first put up for sale in 1984.

According to the minister, the proceeds from the sale will be used to reduce the public sector deficit.

The Paz Oil Company, a wholly-owned subsidiary of Paz Properties (Israel), is the largest fuel distributor in Israel, with about 45 per cent of the local market.

Group sales exceed $1bn a year, but profits in the tightly regulated industry have been modest.

The sale of the Government's holding in Paz comes almost exactly seven years, to the day, after they were purchased – for $27.5m – from Sir Isaac Wolfson, the leading British Jewish businessman and philanthropist.

In a brief joint statement with the Finance Ministry, Mr Lieberman noted that this was the first of what he hoped would be other investments in Israel by his privately owned company.

Swiss finance unit for Nokia

By Olli Virtanen in Helsinki

NOKIA, the Finnish electronics group, will set up a finance company in Switzerland to service the financing needs of its newly-acquired foreign subsidiaries.

Based in Geneva the new company will initially handle a quarter of the group's short term lending. The company's balance sheet will according to Mr Jorma Ollila, Nokia's finance director, amount to about FM1bn ($250m).

Georg Fischer sales ahead

By John Wicks in Zurich

GEORG FISCHER, the Swiss engineering group, has increased group turnover by 6 per cent last year to SFr2.1bn ($1.56bn) from SFr1.97bn. The parent company expects earnings for 1987 to be broadly maintained at about SFr37m.

The rise in 1987 sales was attributed to the delivery of two big orders in the foundry division. Group new orders remained at 1986 levels.

Fischer also reported a narrowing of profit margins

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VOLVO

John Elliott on changes within a family-run Indian conglomerate

Goenka group looks to its image

MR HARSH GOENKA, the 30-year-old elder son of one of India's top industrialists, has taken over the chairmanship of his family's large business empire just as a corporate advertising campaign has been launched to develop a carefully designed group image which does not include the family name Goenka.

Based in Bombay, he has become chairman of RPG Enterprises, a new company which loosely presides over a tyres, chemicals and engineering empire including financial and technical joint ventures with foreign companies such as Searle, Bayer, Phelps Dodge and Allied-Signal. Now the family wants to develop a forward-looking group image without falling foul of India's intrusive monopoly laws.

Depending how the assets are counted, this is one of the country's top 10 business empires, and possibly in the top five. It has assets totalling Rs15bn ($1.15bn) and a turnover of Rs12.13bn if all associated companies are included. The target is to boost turnover to Rs30bn by 1995, including a massive Rs14.7bn petrochemical investment planned with the public sector and foreign collaborators at Haldia in West Bengal, plus expansion into international trading and electronics.

But Harsh and his 58-year old father, Mr Rama Prasad Goenka, have agreed that the Goenka name must go. It causes them too much embarrassing confusion with Mr Ramanath Goenka, a controversial octogenarian from a separate family who is much better known in India because he owns and runs the Indian Express, the country's largest and most anti-Government national newspaper.

A former umbrella name, Duncan Enterprises, has also caused confusion with two other branches of the family run by Mr R.P. Goenka's brothers, who broke away in 1979 and head separate companies with a turnover of more than Rs6bn a year which include Duncans Agro Industries.

So RPG Enterprises has been formed both to coincide with Mr Harsh Goenka beginning to step into his father's shoes and to build recognition in advance of a large public share issue which will be needed when the Haldia petrochemical project, long-delayed by the Government, eventually gets under way.

Mr Harsh Goenka has taken over at an age which is unusually young even for India, where hereditary top management is common, especially among the Goenkas' Marwary business caste. His father initiated the move because he felt Harsh was ready and because he wants to spend his own time concentrating on the Haldia project and on turning round Gramophone Company of India, a loss-making HMV-based record company.

Chief executives of all the family's businesses, except Haldia and Gramophone, report to

Harsh Goenka, chairman of RPG Enterprises

Mr Harsh Goenka. The top executives are all professionals from outside the family, apart from Harsh's younger brother, Sanjiv, who is deputy managing director of Dunlop. They all have personal access to Mr R.P. Goenka. So in practice responsibility and authority is shared, with Harsh having a growing role and his father watching carefully.

But RPG is not strictly a holding company, because it does not own shares and the companies it embraces are officially only the "licensees" of its logo, which Mr Harsh Goenka describes as a "conceptual" link. This is done to avoid them being grouped together under India's Monopolies and Restrictive Trade Practices Act (MRTP) rules on common ownership and managerial control, which restricts industrial licensing freedom, especially on diversification into new product areas.

The Goenka family has always been successful at keeping its biggest companies separate under the MRTP rules and has devised the licensee link to allow it to develop a conglomerate corporate image without complicating its MRTP problems.

Family ownership is organised through about 35 closely held and little known finance companies. There are also cross-holdings among some of the industrial operating companies. But like a lot of India's large business houses, the Goenkas have only small financial stakes in many of their companies.

The biggest company is Dunlop, which was performing badly before the Goenkas

RPG ENTERPRISES

TURNOVER (1987, Rs m)	
Ceat Tyres	3,200
Bayer (India)	1,100
KEC International	75
Phillips Carbon Black	53
Asian Cables	43
Searle India	42
India Polyfibres	37
Murphy India	15
Gramophone Company	14
Upcom Cables	13
Wiltech India	8
Trading group	70
Others	10
Dunlop India*	4,090

*Dunlop is not formally part of RPG Enterprises but is among family interests
Source: RPG

moved into the management three years ago. It made profits last year of Rs300m on a Rs4bn turnover. But the family has only a half share in a 10 per cent stake owned jointly with Mr Manu Chhabria, a non-resident Indian from Dubai who has been building up an industrial empire in India during the past four years.

The joint stake was bought at the end of 1984 from Dunlop of the UK, now part of the BTR group which still holds 30 per cent. The Goenkas and Mr Chhabria, who have had boardroom rows over who should control Dunlop, have secured an eventual right to the BTR stake and it is widely believed in India that they may already own these shares.

Dunlop does not appear in the RPG list even though Mr Harsh Goenka claims he and his brother have management control. This is because, taken together with Ceat Tyres of Italian origin, in which the Goenkas have a 23 per cent interest, the two companies have 45 per cent of the Indian tyre market which would bring them within the orbit of the MRTP Act's market dominance rules.

However, Bayer does appear as an RPG licensee, even though the West German parent has 51 per cent of the shares and controls the company on a day-to-day basis. The Goenkas hold only half of a stake of a little over 10 per cent with Mr Chhabria.

Most of the past RPG growth stemmed from aggressive takeovers of Indian companies and buyouts of management control from tired British parent groups in the early 1980s. Now Mr Harsh Goenka sees the need for a period of consolidation on the takeover front to improve some poor performers.

But he is trying to buy the assets of Nirlon Synthetic Fibres, a loss-making tyre cord and polyester yarn company, for Ceat, which is also signing up a Rs160m chemicals plant collaboration with Texaco's West German subsidiary.

In electronics, having failed to sign up two or three years ago with ITT of the US and Olivetti of Italy, there is a new Phillips Carbon Black Rs170m investment in a laminated electronics board plant with Allied Signal of the US, and a printed circuit boards project with Wu Circuits of Taiwan. Photocopiers and other office equipment are being planned with Ricoh of Japan for Murphy India, which needs a boost now that the Goenkas have bought a 20 per cent stake from Rank Organisation of the UK.

In an attempt to improve another consumer goods operation, Wiltech, a loss-making razor blade company, is being merged with Asian Cables which was bought from another Indian company two years ago. Wilkinson Sword of the UK is taking a 17 per cent equity interest in the new company and an 18 per cent stake will be held by Phelps Dodge of the US.

Mr Harsh Goenka started his career in charge of a small loss-making cotton mill when he was 21, after graduating in economics at Calcutta. With professionals to manage the companies on a day-to-day basis, he does not think he is too young to take over the top RPG policy job. He wants to turn sluggish performance in consumer goods into successes, to move into the newer technologies, and to develop international links for the trading activities which he started himself a year ago.

Bid tussle may develop for NZ travel company

BY OUR FINANCIAL STAFF

A TAKEOVER tussle worth up to NZ$200m (US$133.4m) may develop this month for Omnicorp Investments, a New Zealand travel company which has been forced to halt its rapid recent growth after its holdings turned sour in the stock market collapse.

Omnicorp's interests include a potentially significant role in International Leisure Group, Mr Harry Goodman's UK travel group which owns Intasun and Air Europe. The Auckland company maintains that it "effectively owns 49 per cent of the voting capital" at ILG.

This, however, is a maximum which it could claim only if Mr Goodman, in unfavourable earnings circumstances, refloated the group he took private last year. The pressures on Omnicorp, which relate instead to stakes in quoted New Zealand companies, last week attracted a third potential bidder.

Inspectorate International, the Swiss quality control group run by Mr Werner Rey, the financier, was granted clearance by the New Zealand Commerce Commission to acquire partial or full control of Omnicorp.

Although no bid has yet emerged, Inspectorate is said to have held talks with Chase Corporation, a local investment and property company which owns 40 per cent of Omnicorp and itself has received clearance to buy out the rest.

Since October's slide in equity values, Chase has been acting either to consolidate its holdings under full ownership or to sell them. It remains undecided which course to choose for Omnicorp – another bid for which may come from Jarden Europe, a Luxembourg offshoot of the New Zealand broker Jarden Corporation, which has also been given regulatory clearance.

Omnicorp came into being in its present form only in March 1986 and expanded vigorously. However, in unveiling its interim results last week, the company warned that it had now adopted "a very conservative approach" and said it was unlikely to continue its expansion plans in international tourism in the near term.

Attributable net profits for the seven months to October were cut to NZ$4.5m from NZ$6.6m in the first half of 1986 after extraordinary losses this time of NZ$11.3m.

International Leadership

M&A and Merchant Banking: 1987

In 1987, First Boston/Credit Suisse First Boston's Merger and Acquisition Group advised a record number of clients in all phases of M&A and Merchant Banking activity. During the year, First Boston/CSFB advised on 77 international deals worth more than $28 billion.

Overall, we combined our creativity and capital with our global distribution, trading and financing capabilities to successfully arrange 215 M&A and Merchant Banking transactions worth a record $85 billion. Of our total transactions in 1987, 110 were over $100 million while 40 were under $25 million. This demonstrates the unequalled depth and breadth of our M&A and Merchant Banking business.

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Listed below are our 1987 international transactions.

Acquiring Company	Acquired, Selling or Target Company	Assignment or Form of Transaction	Approximate Size of Transaction
The British Petroleum Company p.l.c.	**The Standard Oil Company**	Cash Tender Offer for Remaining 45% Interest, Plus Warrants	$7,992,000,000
American Hoechst Corporation	**Celanese Corporation**	Cash Tender Offer	2,830,000,000
Consolidated Gold Fields PLC	Newmont Mining Corporation	Acquisition of Additional 23.6% Interest Through Open Market Purchases	1,551,000,000
The Robert M. Bass Group and Aoki Corporation	**Allegis Corporation**	Divestiture of Westin Hotels & Resorts (Pending)	1,530,000,000
Montedison S.p.A.	**Hercules Incorporated**	Sale of 38.7% Interest in HIMONT Incorporated	1,488,000,000
Ladbroke Group PLC	**Allegis Corporation**	Divestiture of Hilton International Co.	1,070,000,000
Argyll Group PLC	Safeway Stores, Incorporated	Acquisition of Safeway Food Stores Limited	1,038,000,000
National Westminster Bank USA	First Jersey National Corporation	Merger for Cash (Pending)	820,000,000
Northern Telecom Limited	ITT Corporation	Acquisition of 24% Interest in STC PLC	730,000,000
Hawley Group Limited	ADT, Inc.	Cash Tender Offer	715,000,000
WPP Group plc	JWT Group, Inc.	Cash Tender Offer	566,000,000
Dainippon Ink and Chemicals, Incorporated	**Reichhold Chemicals, Inc.**	Cash Tender Offer	553,000,000
NEC Corporation and Compagnie des Machines Bull	Honeywell Inc.	Acquisition of Information Systems Business	527,000,000
Smiths Industries plc	Lear Siegler Holdings Corp.	Acquisition of Lear Siegler Avionics Systems	350,000,000
CIBA-GEIGY Corporation	Spectra-Physics, Inc.	Cash Tender Offer	264,000,000
Dillard Department Stores, Inc.	**Campeau Corporation**	Divestiture of the Joske's, Inc. and Cain-Sloan, Inc. subsidiaries of Allied Stores Corporation	255,000,000
Joh. A. Benckiser G.m.b.H.	**Ecolab Inc.**	Divestiture of Consumer Business	243,000,000
ARC America Corporation, a subsidiary of **Consolidated Gold Fields PLC**	American Aggregates Corporation	Cash Tender Offer	242,000,000
Bowater Industries plc	**Rexham Corporation**	Cash Tender Offer	241,000,000
BP North America, Inc.	**Owens-Corning Fiberglas Corporation**	Divestiture of HITCO	240,000,000
Quebecor Inc. and British Printing & Communications Corporation plc	**Dofor Inc.**	Divestiture of 56% Interest in Donohue Inc.	240,000,000
Dairy Farm International Holdings Limited	Kwik Save Group P.L.C.	Cash Tender Offer for 21.5% Interest	237,000,000
Tarmac PLC	Lone Star Industries, Inc.	Acquisition of 60% of Assets and Businesses based in Virginia and North and South Carolina	225,000,000
Hanson Trust PLC	**Kaiser Cement Corporation**	Cash Tender Offer	202,000,000
Gambro AB	**Rhône-Poulenc S.A. and Sandoz AG**	Divestiture of Sopamed AG	187,000,000
Carson Pirie Scott & Company	**Campeau Corporation**	Divestiture of the Donaldsons, Inc. subsidiary of Allied Stores Corporation	155,000,000
Gruppo Ferruzzi	**Companhia Agricola de Conservas Alimenticias - "CICA"**	Sale of Controlling Interest	155,000,000
USG Corporation	**Beecham Group p.l.c.**	Divestiture of DAP Inc.	123,000,000
Lucas Industries plc	**Becor Western Inc.**	Divestiture of Western Gear Corporation	109,000,000
Hess's Department Stores, Inc., a subsidiary of Crown American Corporation	**Campeau Corporation**	Divestiture of the Millers Retail Stores Corporation subsidiary of Allied Stores Corporation	105,000,000
Hooker Corporation Limited	**Campeau Corporation**	Divestiture of the Bonwit Teller, Inc. subsidiary of Allied Stores Corporation	101,000,000
London International Group plc	HATU-ICO S.p.A.	Merger for Cash	100,000,000
Raleigh Stores Holding, Inc.	**Campeau Corporation**	Divestiture of the Garfinckels, Inc. subsidiary of Allied Stores Corporation	95,000,000
Pearson Inc.	**Camco, Incorporated**	Cash Tender Offer for Remaining 35% Interest	75,000,000
English China Clays P.L.C.	J. L. Shiely Inc.	Merger for Cash	73,000,000
Murphy Oil Corporation	Murphy Oil Company Ltd.	Purchase of Remaining 23% Interest	69,000,000
International Salt Company, a subsidiary of Akzo America Inc.	**Diamond Crystal Salt Company**	Divestiture of Salt Division (Pending)	65,000,000
Henkel KGaA	**Beecham Group p.l.c.**	Divestiture of U.K. and European Home Improvement Products Division	59,000,000
Federated Department Stores, Inc.	**Campeau Corporation**	Divestiture of the Block's, Inc. subsidiary of Allied Stores Corporation	55,000,000
Dubin Clark & Company, Inc.	**Beecham Group p.l.c.**	Divestiture of Roberts Consolidated Industries, Inc.	45,000,000
Dowty Group PLC	**The Boeing Company**	Divestiture of Hydraulic Units, Incorporated	43,000,000
TI Group plc	**Armco Inc.**	Divestiture of European Small Diameter Tubing Business	41,000,000
British Aerospace PLC	**Reflectone, Inc.**	Sale of 41% Interest (Pending)	28,000,000
Hillsdown Holdings Group plc	**Wesray Capital Corporation**	Divestiture of the Sleepeezee Limited and Compagnie Continentale Simmons SA subsidiaries of Simmons Company	23,000,000
Nuclean Inc.	**Northern Foods plc**	Divestiture of Flagship Cleaning Services, Inc.	20,000,000
Crown Richter Inc.	**Guinness PLC**	Divestiture of Richter Brothers Incorporated	19,000,000
Avcorp Industries Inc.	**Federal Industries Ltd.**	Divestiture of Standard Aero Ltd.	Undisclosed
Bank Van Roeselare En Westvlaanderen	**USLICO Corporation**	Divestiture of Europabank N.V.	Undisclosed
Banque Bruxelles Lambert	**USLICO Corporation**	Divestiture of Crédit Européen S.A.	Undisclosed
Browne Bottling Company	**Fairwinds B.V.**	Divestiture of Fairwinds U.S.A., Inc., a company owning all the shares ot All-American Bottling Corporation	Undisclosed
Catherine's Acquistion Corporation, a newly formed corporation owned by Management and Citicorp Venture Capital	**Campeau Corporation**	Divestiture of the Catherine's, Inc. subsidiary of Allied Stores Corporation	Undisclosed
A company formed by Mr. Vinit Chitnis	**Federal Industries Ltd.**	Divestiture of PF Industries, Inc.	Undisclosed
The Diamond A Cattle Company and Lonhro PLC	**Atlantic Richfield Company**	Divestiture of Certain Oil and Gas Properties	Undisclosed
Dillingham Construction Holdings Inc., a corporation owned by Management and Employees and SC-US, Inc., a U.S. subsidiary of Shimizu Construction Co., Ltd.	**Dillingham Corporation**	Divestiture of Dillingham Construction Corporation	Undisclosed
Dobson Park Industries plc	**Allied-Signal Inc.**	Divestiture of Revere Corporation of America	Undisclosed
The Kevin F. Donohoe Company, Inc.	**Campeau Corporation**	Divestiture of the Miller & Rhoads, Inc. subsidiary of Allied Stores Corporation	Undisclosed
Dynalectron Corporation	**Federal Industries Ltd.**	Divestiture of Certain Assets of Standard Aero (Western) Inc.	Undisclosed
The Dyson-Kissner-Moran Corporation	Furigas N.V.	Acquisition of Principal Businesses	Undisclosed
GJS One Acquisition, Inc., a corporation owned by John Crowther Group plc, Shearson Lehman Brothers Inc. and Reginald F. Lewis	**TLC Group, Inc.**	Divestiture of The McCall Pattern Company	Undisclosed
S. Grumbacher & Son, Inc.	**Campeau Corporation**	Divestiture of the Pomeroy's Retail Stores Corporation subsidiary of Allied Stores Corporation	Undisclosed
Investor Group organized by Members of Vancouver Wharves Limited Management and Other Investors	**Stolt Terminals Holdings B.V.,** a member of the **Stolt-Nielsen Group**	Divestiture of Stolt Terminals (Vancouver) Ltd., a holding company for Vancouver Wharves Limited	Undisclosed
King-Size Company, L.P.	**Campeau Corporation**	Divestiture of the Jerry Leonard Retail Stores Corporation subsidiary of Allied Stores Corporation	Undisclosed
Management Group	**First Brands Corporation**	Divestiture of First Brands South Africa, Inc.	Undisclosed
Management Group	**Wesray Capital Corporation**	Divestiture of the Simmons Japan subsidiary of Simmons Company	Undisclosed
Marubeni America Corporation	**Bayer USA Inc.**	Divestiture of Helena Chemical Company	Undisclosed
National Freight Consortium, p.l.c.	**Allied Van Lines, Inc.**	Merger for Cash (Pending)	Undisclosed
Optical Filter Corporation and The Rank Organisation Plc	**Allied-Signal Inc.**	Divestiture of Pneumo Precision, Inc.	Undisclosed
A company formed by Mr. Norman Paul	**Hudson's Bay Company**	Divestiture of Wholesale Operations	Undisclosed
The Perrier Group of America	Beatrice U.S. Food Corp.	Acquisition of BCI Arrowhead Drinking Water Co.	Undisclosed
Revlon Group Incorporated	**Yves Saint Laurent S.A.**	Divestiture of the Cosmetic, Fragrance and Beauty and Personal Care Business of Charles of the Ritz Group Ltd.	Undisclosed
Sandvik AB	**Diamant Boart S.A.**	Formation of Joint Venture to Combine Drilling Bits Operations and Related Businesses	Undisclosed
Schlumberger Ltd.	**Allied-Signal Inc.**	Divestiture of Neptune International Corporation	Undisclosed
Schwartauer Werke GmbH & Co.	General Mills, Inc.	Acquisition of Pioneer Products, Inc.	Undisclosed
Sulzer Brothers Limited	Techmedica Inc.	Acquisition of 60% Interest	Undisclosed
Tribeca Holdings Incorporated	**Campeau Corporation**	Divestiture of the Plymouth! Retail Stores Corporation subsidiary of Allied Stores Corporation	Undisclosed
Tri-Gas Inc., a Newly Formed Corporation Organized by First Boston, Inc. and Management	American Air Liquide, Inc.	Leveraged Buyout of Certain Industrial Gas Operations and Related Assets with First Boston, First Boston Mezzanine Investment Partnership and Management as Investors	Undisclosed
YKK Corporation, a subsidiary of Yoshida Kogyo K.K.	**Universal Fasteners, Inc.**	Merger for Cash	Undisclosed

Note: First Boston/CSFB clients are indicated by bold print.

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INTERNATIONAL CAPITAL MARKETS AND COMPANIES

John Wyles on reactions to Ferruzzi's reorganisation plan

Gardini's grand design under fire

SCREAMS OF pain and outrage may not actually have echoed around the Milan stock exchange yesterday, but they could certainly be read into the pricing down of Montedison and its associated companies in the wake of Mr Raul Gardini's plan for reorganising his Ferruzzi-Montedison empire.

Since he decided to exercise his proprietorial rights as the owner of 42.6 per cent of Montedison by ejecting the company's chairman, Mr Mario Schimberni, the Italian business and political world has been waiting for Mr Gardini to reveal how he planned to meld Mr Schimberni's creation with his own agricultural and commodities group into Italy's second largest private sector company.

The grand design was finally revealed at the weekend and yesterday's initial judgment from both investors and Milan analysts appeared to be that it represented cruelty to shareholders.

One analyst who did not want to be named, said: "It is incredible what is being done, it is very damaging to Montedison shareholders." Another siad: "This takes us back 10 years, it is the last straw for Italian capitalism."

By the middle of the afternoon, Montedison shares were down 6.75 per cent from Friday's close and those of Iniziativa Meta, its insurance, financial services and retailing holding company, had fallen by 8.5 per cent.

In a nutshell, Mr Gardini is stripping Iniziativa Meta out of Montedison and putting it inside Ferruzzi Finanziaria, his unquoted family holding company. Montedison's 61 per cent stake in Meta is to be purchased by the issue of 15 Ferruzzi Finanziaria shares for every four of Meta.

The Ferruzzi financial holding company does not publish a consolidated balance sheet and no information has yet been given to justify the valuation implied by Mr Gardini's proposal.

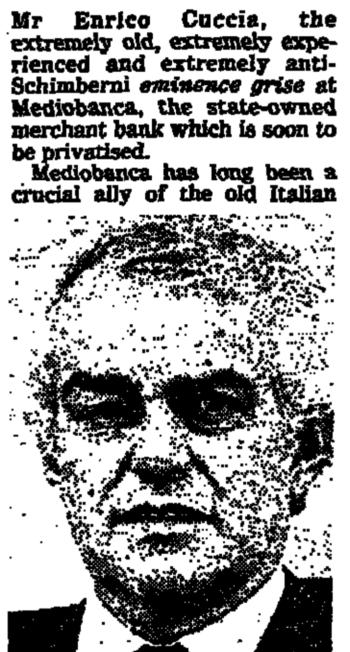
This requires that once the Ferruzzi Finanziaria shares have been exchanged, they will be sold on to Montedison shareholders at a price yet to be determined. The family holding company will then seek a listing on the Milan Stock Exchange.

The indications are that Ferruzzi expects to raise L2,000bn ($1.62bn) from this sale as a contribution towards reducing Montedison's L7,700bn debt.

Little is known about the real size of Ferruzzi Finanziaria's own debt, although that of its agro-business subsidiary, Finanziaria Agricola, was close to the L2,300bn value of shareholders' funds last autumn. The arrival of Meta, with such jewels as La Fondiaria, the highly profitable Florentine insurer, will clearly strengthen its asset base.

"I don't think this market will take paper for money and I don't think it will when the issue is made," said one analyst, anticipating the Ferruzzi Finanziaria share sale.

Is Mr Gardini's plan doomed, therefore? Probably not because *the architect standing* behind him is none other than Mr Enrico Cuccia, the extremely old, extremely experienced and extremely anti-Schimberni *eminence grise* at Mediobanca, the state-owned merchant bank which is soon to be privatised.



Raul Gardini, exercising proprietorial rights

Mediobanca has long been a crucial ally of the old Italian business establishment and, therefore, finely tuned to the needs of such business barons as Mr Giovanni Agnelli, Mr Leopoldo Pirello and Mr Luigi Orlando.

It is widely assumed that Mediobanca will take charge of the distribution of the Ferruzzi Finanziaria shares passed to Montedison, and that no-one should be surprised if the merchant bank does not finish with a sizeable stake of its own in the family holding.

Mr Gardini's absorption into Italy's ruling club of family industrialists will be completed by the creation of a new limited partnership which will hold all of the family's controlling shareholding in Ferruzzi Finanziaria.

There is scarcely an owner-manager of any size, from Messrs Agnelli and Pirelli downwards, who have not already resorted to this device of ensuring that family dissidents cannot sell their holdings on to unwelcome parties.

All of this is a far cry from the modern structure which Mr Schimberni said he was trying to create, based on a wide spread of shareholders and the separation of management from ownership.

The Gardini plan, which is still subject to the approval of shareholders, also takes out of circulation the company which has been the most notorious vehicle for personal political and financial ambitions for nearly 30 years.

Men like Mr Eugenio Cefis in the 1970s and Mr Schimberni in the 1980s will henceforth be denied the opportunity to mould Montedison to their grander designs. As a subsidiary of Ferruzzi Agricola Finanziaria Montedison will be returned to its basic vocation as a chemicals, pharmaceuticals and energy company.

Henceforth, Ferruzzi Finanziaria will be the name associated with the new family admitted to the charmed circle of Italian big business.

Arlabank makes $129m Third World provision

BY OUR MIDDLE EAST STAFF

ARLABANK, the Bahrain-based consortium of 28 Arab and Latin American financial institutions, yesterday announced that it was making an extraordinary provision of $129m "as a prudential measure" to cover bad debt in the Third World

A loss of $132m was announced for 1987 following a shareholders' meeting on Sunday, at which it was decided that the deficit would be covered by adjusting both the mandatory and the voluntary reserves, as well as a large portion of the residual loss against capital.

The net effect has resulted in the bank's paid-up capital being reduced from $225m to $112.5m. It was agreed that shareholders would bring the capital base back to its old level by new share subscriptions before March 1.

In addition, Arlabank announced plans to draw down by $122.5m a subordinated loan of $950m made available by shareholders as a five-year support programme in 1986 when the first $225m tranche was utilised.

Arlabank was established in 1979 during the heady days of the oil boom with a special mandate to promote industrial, commercial, financial and investment relations between Arab and Latin American countries.

Bond raises HK$1.1bn with Japanese partner

BY DAVID DODWELL IN HONG KONG

BOND CORPORATION International, the Hong Kong-based company controlled by Mr Alan Bond, the Australian entrepreneur, has arranged with a Japanese partner for a HK$1.1bn syndicated loan to complete the financing of his prestigious HK$1.9bn Bond Centre development in Hong Kong.

The loan has been raised by Admiralty Development, a company controlled equally by Mr Bond and Mr Harunori Takahashi, whose interest is represented by EIE Development.

Mr Bond acquired the Bond Centre – which was originally called Admiralty Centre – in February last year. The purchase so stretched the highly-geared Bond International's the development to Mr Takahashi.

At the time, Mr Takahashi paid a modest HK$128m for his stake but at the same time committed a HK$665m shareholder loan and promised to raise long-term loans of at least HK$1bn for the venture.

The loan has been arranged by Wardley Capital, a subsidiary of the Hongkong and Shanghai Banking Corporation, with funds coming from the Japanese banks, Mitsui and the Long-Term Credit Bank, from the Hongkong Bank and the Overseas Trust Bank in Hong Kong, and from First National Bank of Chicago.

Brazilian debt/equity fund from Morgan Grenfell

By Alexander Nicoll in London and Ivo Dawnay in Rio de Janeiro

MORGAN GRENFELL and a Brazilian investment bank are establishing a fund to invest in Brazilian equities. The fund is likely to be the first through which Brazil's creditor banks will be able to exchange their loans under the country's debt/equity swap scheme.

A maximum of $100m face value of loans may be converted through subscriptions to the Brazil Conversion Fund, which will be managed by Banco Bozano, Simonsen de Investimento, a Brazilian bank with which Mr Mario Simonsen, a former Finance Minister, is associated.

Debt/equity funds have been started in other problem debtor countries, including Chile. But a number of other attempts have so far failed. In the Philippines, for example, delays were caused by constraints on the range of permitted investments.

There are still some uncertainties about how the Brazilian fund will operate under Brazil's debt/equity scheme, which has recently been subject to revisions that have made it considerably more appealing to foreign bankers.

Most crucially, it is not yet known exactly how and at what exchange rate foreign currency claims will be converted into cruzados for investment in the fund. Brazil may decide on an auction system or on a discount from the official rate applying equally to all investors.

Banks exchanging their loans for fund units will not be able to repatriate capital for 12 years but may transfer units to other holders within Brazil after five years. Income will be remittable abroad, though heavy taxes will be applied if net dividends exceed 12 per cent.

The most prominent characteristic of the Brazilian stock markets is their extreme volatility, with total market capitalisation regularly fluctuating by up to 10 per cent a day.

Last Friday, news of the latest revision of the debt conversion rules provoked a 6.3 per cent increase in Sao Paulo's Bovespa index, which incorporates the 83 most heavily traded shares. The much smaller IBV index in Rio de Janeiro rose just 3.8 per cent.

Brazil's see-sawing inflation rates and daily devaluations of the cruzado make an analysis of the index value of the markets all but irrelevant to the foreign investor. One banker yesterday suggested that, for a clearer indicator of the markets' recent performance, the investor should divide the index by the current official value of the US dollar.

Adopting such an approach, the Bovespa index reveals that the market was valued at a symbolic $100 at the Brazilian economy's lowest ebb in 1983, whereas at the height of the anti-inflationary Cruzado plan in April 1986 it was worth $1,460 by the same measure.

Applying the test today, Bovespa delivers a $230 result, up from $170 at the time of the resignation in December of Mr Luiz Carlos Bresser Pereira, the former Finance Minister.

Bankers said the Brazilian market has about 10 very liquid stocks, 20 that are fairly liquid and 50 to 60 which are less liquid.

SBCI makes 20 redundant

By Our Euromarkets Editor

SWISS BANK Corporation International has become the latest institution in the Euromarkets to reduce staff.

SBCI, the London-based investment banking subsidiary of Swiss Bank Corporation, said yesterday that 20 people were being made redundant out of a total of 548 – a figure which does not include the 480 employed by Savory Milln, the broker SBCI acquired.

About half those losing their jobs are traders and salesmen in the bond markets. The remainder are related back office staff. The most senior of those dismissed was an associate director in the capital markets area.

SBCI said conditions in bond markets had been difficult and it had been reviewing costs, overheads and profitability. The job cuts were in the bond markets area, although the firm is among those concentrating strongly on the international equity markets, which have seen a sharp contraction of issuing activity since October.

Eurosterling issue falls foul of base rate rise

BY CLARE PEARSON

BARING BROTHERS yesterday morning had the bad luck to launch a new £50m Eurosterling bond for Commonwealth Bank of Australia just an hour before the Bank of England's surprise ½ percentage points increase in its dealing rates to 9 per cent.

The five-year new issue fell from an early bid price of about less 1.90, just outside the 1⅞ per cent fees, to close at less 2½ bid, while last week's four new Eurosterling deals also fell to potentially loss-making levels for underwriters.

But Baring said it had managed to assemble a co-management group for CBA's luckless 9⅜ per cent deal, priced at 101⅛, by the end of the day. It also made sure the bond's initial yield margin of 30 basis points over comparable gilts was maintained.

The Bank of England's move, which was followed by a ½ percentage point rise in UK base lending rates to 9 per cent, took the gilt market by surprise. In early trading, prices had been sharply higher, taking their cue from the US Treasury bond market's strong weekend rally.

Eurosterling bond price falls tracked the volatile swings in the gilt market. Of the two deals launched last Friday, British Airways' 10 per cent £100m 10-year issue was quoted in the afternoon at less 2⅜ bid, and British Telecom's £150m 9½ per cent five-year bond at less 2⅛ bid – both well outside commissions. Sears' £200m five-year 10⅛ per cent issue, which was launched earlier last week, was quoted at less 2 bid.

The Eurodollar bond market opened sharply higher, fuelled by a firm dollar and expectations that this week's $27bn US Treasury auctions would meet strong demand. But much of the gain was given up during the day amid a bout of profit-taking, and after New York markets had opened easier.

Dealers said 10-year Eurodollar bonds lost about 80 per cent of their initial ¾ per cent mark-up in mainly professional

INTERNATIONAL BONDS

activity. Where seen, retail activity was mainly on the sell side.

In the new issues market, which dealers said had become saturated by the end of last week, yield differentials against US Treasury bonds widened markedly. A $200m four-year bond for Finnish Export Credit, for instance, was trading at a yield margin of about 70 basis points over the US Treasury curve, compared with a spread of about 55 at launch last week.

The early strength in Canadian domestic bonds encouraged CIBC to launch a C$200m five-year bond for IBM Canada, which met good demand. The 9¼ per cent issue, priced at 100¾, was quoted at less 1.80 bid against 1⅞ per cent total fees.

Two bonds emerged in the Australian dollar sector. The first was an A$75m five-year issue for Société Générale, bearing a 13 per cent coupon and 101⅜ issue price.

This was considered slightly tightly priced, as the borrower's name is not ideal for Australian dollar Eurobond investors, even though it is Triple A rated. Led by Westpac, the bond was quoted at less 1¾ bid, the level of its full commissions.

Hambros Bank led an A$75m 12¼ per cent four-year bond for BP Capital, priced at 101⅛. This, too, was quoted at less 1¾, on the fees.

Domestic D-Mark bond prices yesterday gained up to 60 basis points in brisk turnover, before easing slightly in sympathy with US Treasury bonds later in the day.

The Bundesbank is due to announce terms of the latest Federal Government bond today. Dealers said that if closing price levels were maintained this morning, the 10-year issue was likely to carry a 6¼ per cent coupon. Yesterday, the newest 6¼ per cent Federal government issue was fixed ⅛ point higher at 100⅞, yielding 6.31 per cent.

D-Mark Eurobond prices gained up to ¼ point, though in lower turnover than the domestic bond market. A benchmark 6¼ per cent bond for the World Bank gained ¼ point to 101 at the fixing. No new D-Mark Eurobond issues emerged. Last month the sector saw DM4.675bn worth of new paper.

The Swiss franc foreign bond market saw reasonable volume and developed a slightly firmer undertone. A SFr200m 10-year 4¾ per cent bond for Sweden closed its first day's trading ½ point below its 100⅝ issue price.

Wirtschafts-und Privatbank announced a SFr100m 4⅝ per cent bond for City of Vienna, priced at 100¾. The callable bond matures in October 1993.

MoF approves non-life insurer plans

THE JAPANESE Ministry of Finance has approved plans by non-life insurance companies to sell five kinds of savings-related insurance products from April 1, Reuter reports from Tokyo.

The new instruments, which all include insurance against injury and are based on instalment plans, are packaged with plans for ordinary savings, savings for housing, and pension funds, according to MoF officials.

The products will offer an expected annual yield of 4.5 per cent on the cumulative premiums and will also pay five times the amount of the cumulative premiums on the death of the insured, according to an executive of one large non-life insurance group. Investors will be able to withdraw their funds at the end of agreed maturity periods.

News of the ministry's decision helped to lift prices of the non-life insurance companies' shares on the Tokyo Stock Exchange.

FT INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market.

Closing prices on February 1

US DOLLAR STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Abbey National 7½ 92	200	95¾	96¼	+0½	+0⅞	8.71
All Nippon Air 9⅞ 97	100	†98¾	99¼	+1	+2	9.52
American Brands 8⅞ 92	150	†97	97½	−0⅛	+1	9.63
A/S Eksportfinans 7⅞ 93	100	†95¼	95¾	+0¾	+1⅛	8.63
A/S Eksportfinans 7¼ 92	150	96	96⅜	+0½	+1	8.44
Barc. Bk. Fin. 10¼ 89	200	†103⅜	103⅞	+0⅜	+0½	8.06
Belgium 9⅛ 92	400	†102¼	102¾	+0¾	+0⅞	8.43
British Telecom 7⅝ 96	250	91⅛	91⅝	+1⅛	+1¾	9.05
British Telecom 8⅞ 94	150	101¼	101¾	+0¼	+2	8.55
Canada 9 96	1000	101⅞	102⅜	+0¾	+1½	8.62
Canadian Pac 10¼ 93	100	†105	106	0	+1	9.37
C.C.C.E 7¼ 91	113	†96¾	96⅞	+0½	+1	8.39
C.N.C.A 7¼ 91	150	96⅛	96½	+0½	+1⅛	8.41
Coca-Cola Ent. 8¼ 90	100	†101¼	101¾	−0¼	+0⅜	7.52
Credit Lyonnais 9 91	200	102¼	102½	+0⅜	+0¾	8.15
Credit National 7⅞ 92	100	96½	97	+0½	+0⅞	8.30
Credit National 7¼ 91	150	96¾	97¼	+0⅝	+1	8.17
Denmark 7⅛ 92	500	95⅛	95⅝	+0⅝	+1¼	8.50
Denmark 8¼ 91	300	*†101⅛	101⅝	0	0	7.84
E.E.C 7 91	100	96¼	96¾	+0⅜	+0⅞	8.09
E.E.C. 7¼ 93	250	95⅛	95⅝	+0¼	+0⅝	8.40
E.E.C 8¼ 96	100	†95⅞	96⅛	+0⅝	+1	8.95
E.I.B. 7⅞ 93	100	95¾	96¼	+0⅜	+1	8.51
E.I.B. 9⅞ 97	150	101¾	102⅛	+0½	+1⅛	9.04
Finland 7⅞ 97	200	92⅜	92⅞	+0¾	+1¾	9.13
Finland 7½ 93	200	95⅛	95¾	+0⅝	+1¼	8.53
Finland 9⅛ 92	100	*†101⅞	102⅜	0	0	8.63
Ford Motor Cred 11⅞ 90	100	106⅛	106½	+0¼	+0¼	7.93
Gen Elec Credit 10¼ 00	200	102¾	103¼	+0¼	+0½	9.80
G.M.A.C. 8 89	250	100⅛	100⅝	0	+0⅛	7.68
G.M.A.C. 8¼ 89	200	100¾	101⅛	+0⅛	−0⅛	7.43
Hoesch 8¼ 97	100	†94½	95	+1½	+3	9.11
Hoesch 7⅞ 92	100	†96½	97	+0½	+1	8.32
Italy 9 90	1000	102⅛	102⅝	+0¼	+0⅝	7.94
Liberty Mutual 8½ 96	150	*†95¼	95¾	0	0	9.32
L.T.C.B of Japan 8 91	100	98¾	99¼	+0½	+1¼	8.31
L.T.C.B.of Japan 8 97	200	91⅞	92⅜	+0½	+1½	9.40
Mercds-Benz Cred 8¼ 92	100	†100½	101	+0½	+1	8.02
Metropolis Tokyo 9½ 93	200	103½	104	+0½	+1¼	8.53
Mitsubishi Fin. 7⅞ 93	100	†94⅞	95⅜	+0½	+1⅛	8.97
Mutual America 7⅞ 92	100	†96¼	96¾	+0½	+1	8.71
Norway 7¼ 91	500	*†98⅜	98⅞	0	0	7.69
Pepsico Inc 7⅞ 93	200	†95¾	96¼	+0⅝	+1¾	8.93
Prudential Crp. 8¾ 94	125	100¾	101¼	+0¾	+1¾	8.52
Qantas Airways 10⅜ 95	140	106	106½	+0⅜	+1¼	9.16
Saab Scania 9½ 91	125	†103⅛	103⅝	+0¼	+0⅝	8.20
Saskatchewan 10¼ 92	100	107½	108	+0½	+0⅞	8.42
State Bk S Aust 9⅛ 93	100	101⅛	101⅝	+0¼	+0¾	8.89
Swedish Expt.Crd.7¼ 91	100	†96½	97	+0½	+0¾	8.25
Swed Exp Cred 10 92	100	106⅛	106¾	+0⅜	+0¾	8.13
Sweden 7 91	250	96¼	96¾	+0⅜	+1	8.12
Sweden 7 92	250	†95⅞	96⅛	+0⅜	+0¾	8.24
Sweden 8⅞ 96	200	98⅞	99⅜	+0½	+1½	8.94
Sweden 8½ 92	200	†100⅞	101¼	+0⅜	+0⅞	8.20
Toyota Mtr. Cred. 9 90	200	†102½	103	+0⅜	+0¾	7.88
Toyota Mtr.Cred.7¼ 92	150	†95⅞	96¼	+0½	+1¼	8.38
Victorian Rep 11⅞ 92	150	109⅝	110⅛	+0⅞	+0½	8.72
World Bank 7 92	300	†96⅛	96⅝	+0⅝	+1	8.10
World Bank 9 97	300	99⅞	100⅜	+0¾	+1¼	8.96
Yasuda Trust Fin 8½ 93	100	98	98½	+0¼	+1	8.90

Average price change... On day +0½ on week +0⅞

DEUTSCHE MARK STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Asian Dev. BK. 6 94	200	101⅛	101⅞	−0⅛	0	5.73
Avis Fin.SVS 5⅞ 92	100	†101⅞	102⅜	+0¼	−0½	5.28
Bank of Greece 5⅞ 92	300	99⅛	99½	+0½	+0½	5.55
Bank of Tokyo 5¾ 93	100	†102¼	102¾	0	+0⅜	5.17
Central BK. Turkey 7 92	200	†102⅝	103⅛	0	−0⅛	6.26
Degussa Int. 6⅛ 97	200	97⅞	98½	−0⅛	+0½	6.39
E.I.B 5½ 98	150	94⅝	95¼	+0⅝	+0⅞	6.17
E.I.B 6 97	300	99⅝	100⅛	+0¼	+1⅛	6.00
E.I.B. 6⅛ 96	300	100⅞	101⅜	+0¼	+1⅛	5.96
E.I.B. 6⅛ 97	400	99½	100¼	+0⅛	+0⅞	6.14
E.I.B. 6⅞ 95	300	105	105¼	+0¼	+0⅞	5.99
Euro.Coal& Steel 5⅞ 97	175	97⅞	98⅜	+0¼	+0⅝	6.17
Eurofima 6¼ 96	100	101¼	102	+0⅜	+0¼	5.99
Elec De France 5⅞ 97	300	97⅛	97⅞	+0⅛	+0½	6.10
Forsmark Krtg. 5⅛ 93	200	99⅞	99⅞	–	–	5.24
I.A.D.B. 6 97	200	97⅛	97⅞	0	+0¼	6.36
IBJ 5⅞ 92	100	†103	103½	0	−0¼	5.08
Japan Finance 5⅞ 97	100	96⅛	96⅝	0	+0⅜	6.27
Ireland 6½ 97	300	†99⅛	99⅝	+0⅛	−0⅛	6.59
Korea Dev BK 6⅝ 93	100	101¾	102⅛	+0¼	+0⅛	6.16
Malaysia 6¼ 94	150	98¾	99¼	+0¼	+0⅛	6.44
Oesters. Kontbk. 5 93	300	99⅞	99⅞	–	–	5.14
Portugal 5⅜ 92	150	101¾	102½	−0⅛	−0⅛	5.20
Portugal 6⅝ 95	150	102	102¾	−0⅛	−0¼	6.21
Royal Insurance 5½ 92	300	†103	103½	−0⅛	+1	4.62
Statoil 6¼ 97	200	†99⅛	99⅝	−0¼	−0⅛	6.34
Soc Cent Nuclear 7⅛ 95	150	103⅜	103⅞	+0½	−1¼	6.43
Stewaag 5½ 96	100	97⅞	98⅜	+0⅛	+0⅝	5.77
Tokyo Elec. Power 6 97	300	†97⅞	98⅜	+0⅛	+0¾	6.26
World Bk. 6¼ 97	600	100½	101¼	+0⅛	+0⅜	6.07

Average price change... On day +0⅛ on week +0⅜

SWISS FRANC STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
African Dev.Bk. 5⅜ 96	100	†102½	102¾	0	+1⅜	5.23
Asfinag 5 02	150	†99¾	99½	+0¼	+0¾	5.06
Bayer W/W 2½ 02	250	†94½	95½	+0⅛	+0¼	2.93
BBL W/W 2¾ 97	100	*†87⅛	87⅝	0	+1	4.37
Elec.De.France 5 07	100	†100	101	+0¼	+0⅝	4.96
E.I.B. 4¾ 97	200	†100¼	100¾	−0¼	+0⅜	4.68
E.I.B 4⅝ 97	200	†100	100¼	−0¼	+0⅜	4.61
Enso Gutzeit 5 99	100	†100½	100¾	+0⅜	+0¾	4.93
Ireland 5 02	150	†95½	96	+0⅝	+2⅛	5.43
Newfoundland 5⅛ 02	150	*†100¾	100¾	0	0	5.05
Occidentl.Petrol 5¼ 92	100	†103¼	103½	–	–	4.81
Prov.of Manitoba 4¾ 02	200	†102¼	102½	+0⅝	+1¼	4.44
Prov. of Quebec 5 03	200	†100	100¼	−0½	+0⅜	4.99
Qantas Airways 4¾ 97	110	†96½	96¾	0	+0⅞	5.20
SHV Holdings 4¾ 94	100	†100¾	101	+0½	+0⅝	4.59
Tiroler 4¾ 97	100	*†101¾	101¾	0	−0⅛	4.51
Trans-Can. Pipe 4⅞ 94	100	†100	100½	–	–	4.82
Victoria Pub.Ath.5⅞ 03	118	†101½	102	–	–	5.20
World Bank 5 02	200	†98	98¼	0	+0⅜	5.18

Average price change... On day +0⅛ on week +0⅝

YEN STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Belgium 4⅝ 94	45	97	97⅜	0	+0½	5.16
E.I.B 4⅝ 94	40	97½	97¾	+0½	+0⅝	5.05
Elec. De France 5⅜ 94	20	100⅛	100⅝	0	+0⅝	5.05
Kansai Electric 4⅝ 94	60	96⅜	96⅞	0	+0¼	5.27
Norway 4¼ 92	60	97¾	98⅛	0	+0¼	4.87
Rep. of Italy 5¾ 92	150	103⅝	104⅛	0	+0½	4.64
Sweden 4⅜ 92	50	97¾	98¼	0	+0⅜	4.88
World Bank 5½ 92	50	103⅛	103⅝	0	+0⅜	4.63

Average price change... On day +0 on week +0⅜

OTHER STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Aegon 5¾ 91 FL	100	101½	102⅛	0	+0¼	5.20
Aegon 6⅛ 89 FL	100	103½	104⅛	0	+0¼	5.38
Alg. Bk. Ned. 5¾ 91 FL	100	101⅜	101⅞	0	+0¼	5.29
Amro Bank 6¼ 92 FL	150	101⅝	102	–	–	5.79
Amro Bank 6 92 FL	200	101¼	101¾	–	–	5.58
Barc. Bk. 10⅛ 97 £	250	98⅞	99⅜	−0½	+0⅝	10.39
BP Capital 13⅞ 93 A$	75	104¼	104⅞	−0¼	+1¼	12.33
Creditanstlt.14⅛ 90 A$	60	†102	102½	−0¼	−1⅛	12.86
Denmark 7⅞ 92 ECU	100	101½	102	+0⅜	+0½	7.22
DG Fin. Co. 13⅞ 90 A$	50	†104	105	−0½	+0¼	11.56
DG Fin. Co. 14 90 A$	75	†102	103	−1⅛	−0⅜	12.68
DG Finance 14⅛ 92 A$	50	†103	104	0	+0½	13.19
Deutsche Bank 9⅞ 97 £	75	†98⅞	99¼	−0⅛	−0⅜	10.03
Deutsche Bk.14⅛ 92 A$	100	†106¼	106¾	+0⅛	0	12.12
Dresdner fin.13⅞ 91 A$	100	†104½	105	+0¼	+0⅝	11.99
E.I.B 8⅛ 93 LF	1000	†102	103	0	0	8.00
Euratom 7⅞ 97 ECU	145	97	97½	+0¼	+2	7.80
Euratom 11½ 88 FL	150	102⅛	102⅝	0	−0⅛	0.04
Eurofima 17½ 89 NZ$	50	†103	104	−0¼	−0½	15.00
Finland 6 91 FL	100	101½	102⅛	+0⅛	+1	5.47
Ford.Mtr.Cred.13⅞ 91A$	75	102	102⅝	−0⅛	+1	12.86
Gillette Can. 9⅞ 93 $	70	96¾	97¼	–	–	10.37
G.M.A.C. 9¼ 92 C$	75	†97½	98	0	−0⅜	9.89
G.M.A.C Aus.Fin.14 90 A$	50	101⅞	102⅜	−0⅛	−0⅛	12.83
Halifax BS 10⅝ 97 £	50	99⅝	100⅛	−0¼	+1¼	10.37
Heineken NV. 6⅛ 91 FL	150	†103½	104	+0½	+0½	5.12
Honda Mtr.W/W 3⅞ 90 FL	100	†108	110	0	0	−0.33
Hunter Dgas. N.V. 7 91 FL	50	†101½	102	−0¼	−0⅛	6.34
Imp Chem Inds 10 03 £	100	†96⅞	96⅞	−0½	+0⅜	10.44
Inv.In Ind.Intl 10 93 £	60	99⅞	100⅛	−0⅜	−0⅜	10.01
Leeds B.S 10¼ 91 £	50	101	101½	−0¼	−0⅜	9.99
Mort.Bk.Denmark 6 91 FL	150	100½	101⅛	+0⅜	+0½	5.77
Mtge. Bk. Dn. 6¼ 91 FL	100	102⅝	103	0	+0¼	5.79
Nat.Australia 14 92 A$	50	102⅞	103⅜	+0¼	+0⅜	−0.55
Nat. West.Bk.13⅞ 92 A$	50	†101⅜	101⅞	−0⅜	−0⅜	12.62
Nationwide BS 10⅛ 93 £	75	99½	100⅛	−0⅜	−0⅜	10.17
New Zealand 7⅞ 93 ECU	200	99⅞	100⅛	+0¼	+1	7.77
Oesters.Ktbk.13⅞ 94 A$	75	103⅜	103⅞	−0½	+0⅝	12.73
Prudential Fin.9⅞ 07 £	150	90⅞	91	+0⅛	+1⅛	10.51
S.D.R. 7¾ 95 ECU	90	99½	100	+0⅜	+1⅛	7.79
Tsthouse Forte 11⅛ 90£	50	102⅛	102⅝	−0⅛	+0¼	9.82
World Bank 6½ 90 FL	100	102½	103⅛	–	–	5.33
World Bank 5¾ 91 FL	100	101⅜	102	–	–	5.24
World Bank 5¾ 92 FL	100	100¼	100⅞	–	–	5.60
World Bank 13⅞ 92 A$	100	†102⅞	103⅜	−0⅛	−0⅛	12.36

FLOATING RATE NOTES	Spread	Bid	Offer	C.dte	C.cpn
Alberta 3 93	.0312	100.39	100.48	13/06	8.17
Alliance & Leic.Bld 94 £	.08	99.05	99.11	21/01	10.27
Belgium 91	0	100.12	100.23	19/02	7.19
Britannia 5 93 £	0⅛	99.41	99.46	8/04	9⅛
Chase Manhattan Corp 91	0⅛	99.11	99.36	22/02	7.19
Citicorp 98	†0¼	97.03	97.28	29/02	7.69
EEC 3 92 DM	†0	100.38	100.43	22/02	4.31
Halifax BS £ 94	.1	99.43	99.48	8/02	8.97
Invt. in Industry £ 94	0	99.39	99.48	24/02	9.44
Midland Bank 01 £	.1	94.75	95.58	11/02	8.97
Milk Mkt.Brd. 5 93£	0⅛	99.44	99.48	30/12	10.37
New Zealand 5 97 £	.07	99.32	99.42	18/02	9.06
New Zealand 5 01	0	98.89	98.99	4/02	7⅛
Shearson Lehman Hlds 91	†0⅛	99.00	99.50	8/02	7.62
United Kingdom 5 92	0	100.09	100.16	7/04	7.12
Woodside Fin. 5¼ 97	0	98.83	98.94	28/01	7.69
Woolwich 5 95 £	0⅛	99.33	99.37	19/02	9.12

Average price change... On day −0.01 on week −0.03

CONVERTIBLE BONDS	Cnv. date	Cnv. price	Bid	Offer	Chg. day	Prem
Alcoa 6¼ 02	8/87	62	92½	93½	−0⅛	40.19
Alco Health 6¼ 01	†7/86	26.25	77	78½	−0⅜	31.67
American Brands 7⅞ 02	9/87	56.7	97	98	−0½	17.92
American Can Co. 5½ 02	4/87	66.75	66½	67½	+1⅛	59.72
Ashikaga Bank 2⅞ 02	4/87	967.	117½	119	0	−3.00
Asics 5 92 DM	12/83	438.6	145¼	146¼	−2	−2.04
CBS. Inc. 5 02	†4/87	200.	89¾	90¾	+0¼	14.42
Fuji Hvy Inds 3 00	8/85	676.	163½	164⅞	+3¼	7.73
Fujitsu 3 99	5/84	1106.	231¼	232⅞	+1⅛	0.10
Gunma Bank 2⅞ 02	4/87	808.	140¼	141⅜	−2	−0.27
Land Secs. 6⅞ 02 £	/	6.72	91⅞	92⅞	−2	–
MCA Inc 5½ 02 US	9/87	69.62	77	78	+1	39.68
Minolta Camera 2⅞ 94DM	2/86	1004.	86¼	87¾	−0⅛	34.39
Mitsui Trust 2⅞ 01	10/86	1903.	145⅜	147¼	−3½	5.31
Next PLC 5⅞ 03 £	11/87	4.3	101½	102⅛	−0⅛	58.15
Nippon Elec 2⅛ 00	†1/85	1295.	297	298	+1	−0.56
Onrow Tatetsi 2⅞ 02	4/87	1310.	196⅞	198⅞	+3⅝	6.11
Ranks Hovis 4¾ 03 £	1/88	3.5	107	108	0	14.71
Redland 7¼ 02 £	1/87	5.4	95¼	96¼	0	20.24
Texas Inst. 2⅞ 02 US	9/87	82.87	79¼	80¼	+0½	39.50
W.R. Grace 6¼ 02 US	9/87	42.12	80⅝	81⅝	+1½	29.79

* No information available-previous day's price

† Only one market maker supplied a price

Straight Bonds: The yield is the yield to redemption of the mid-price; the amount issued is in millions of currency units except for Yen bonds where it is in billions. Change on week=Change over price a week earlier.

Floating Rate Notes: Denominated in dollars unless otherwise indicated. Coupon shown is minimum. C.dte=Date next coupon becomes effective. Spread=Margin above six-month offered rate (‡three-month; §above mean rate) for US dollars. C.cpn=The current coupon.

Convertible Bonds: Denominated in dollars unless otherwise indicated. Chg. day=Change on day. Cnv date=First date of conversion into shares. Cnv. price=Nominal amount of bond per share expressed in currency of share at conversion rate fixed at issue. Prem=Percentage premium of the current effective price of acquiring shares via the bond over the most recent price of the shares.

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Bullough beats forecasts with 33% rise

BY MAGGIE URRY

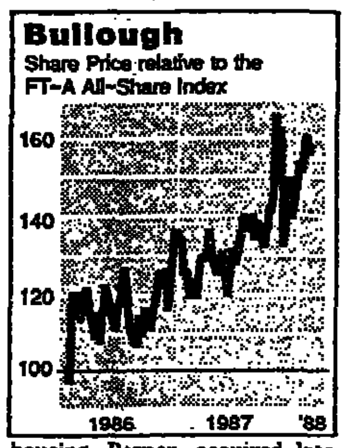
Bullough, the industrial holding group which has 28 operating companies, exceeded analysts' expectations in the year to October 1987, producing pre-tax profits of £21.2m, a 33.1 per cent increase. Turnover rose by 36.4 per cent to £163.9m.

Mr Derrick Battle, the managing director, who will succeed Mr Bryan Jenks as chairman at the annual meeting, said that 65 per cent of the profit increase came from the three latest acquisitions after deducting the financing cost of the purchases. Profit growth in the existing businesses was about 12 per cent.

Office products, the largest division, contributed 50 per cent of trading profits and raised profits by 9 per cent to £10.9m without any acquisition benefits. The Project office furniture business is the mainstay of the division and was the main contributor to the increase.

The refrigeration and storefitting division, mainly supplying the retail trade, increased profits from £1.6m to £4.3m, 20 per cent of total trading profits. The improvement came from Beanstalk shelving which made a profit of £600,000 against break-even last year and losses in earlier periods, and Hubbard, bought in January 1987. The George Barker store refrigeration business recovered from a first-half loss, but its full-year contribution was slightly lower.

The heating division raised trading profits from £1.4m to £3m, 14 per cent of the group total. Johnson & Starley had a good year selling warm air central heating for local authority housing. Reznor, acquired late in the previous year, put in a full contribution. And Boulter, which makes domestic oil-fired boilers, was acquired with Hubbard.



Engineering trading profits rose from £2.7m to £3.6m, 16 per cent of the total. The acquisition of Brymitre in May and advances by several smaller companies offset a poor performance at Hago Products, which makes wire products such as office in-trays. Corrective action there should ensure a profit this year, Mr Battle said.

He reported that after acquisition costs of £11m and investment of £5.8m the balance sheet had net debt of £4m, 9 per cent of shareholders' funds.

The issue of shares in connection with the acquisitions meant that earnings per share rose at a slightly slower rate of 30.5 per cent to 36.3p, and the annual dividend is to rise by 32.1 per cent to 14p.

● comment

Bullough is one of the stock-market's lesser known gems, consistently outperforming the average in profit and earnings growth. Its strength has been making the right acquisitions at the right prices, and then running them efficiently. Project, bought in the mid-70s for £1.2m, is an example. That business is still turning in acceptable profit gains even compared to a strong period last year, while the more recent purchases add the cream. Bullough clearly has the balance sheet to expand further and will be looking at Vickers' office furniture business which is for sale. Barring that size of deal though, pre-tax profits this year should top £25m. The prospective p/e is 10.5, with the shares unchanged yesterday at 445p, a rating which does scant justice to the company.

Sid still to collect on Gas dividend

By Philip Coggan

FIFTY THOUSAND British Gas shareholders, just under 2 per cent of the total, have still not cashed their first dividend warrants which were sent out last October.

The small shareholders – immortalised as Sid in the privatisation campaign – have until July to pay the warrants into their banks or building societies.

After that, the warrants will have to be revalidated by the company's registrar.

Ward White selling US shoe retailer to expand auto side

BY LUCY KELLAWAY

Ward White, the acquisitive retail conglomerate, yesterday announced the sale for $29m (£16.56m) of **Hofheimers**, a US shoe retailer, to a group of its senior management.

The sale, which is the latest in a series of disposals of non-core and less profitable activities, comes less than a year after the disposal of Focus Shoes in the UK.

Over the past few years, Ward White has been moving away from its roots as a footwear retailing chain into specialist retailing groups such as Halfords, Owen Owen and Payless DIY.

The company said yesterday that the proceeds from the sale would be used to pay for the expansion of its US retail automotive business, and to reduce its US borrowings.

Hofheimers consists of 88 family shoe shops in the south east of the US. In the 12 months to January 1987, the company earned profits of $2m before tax and interest payments.

Payment for the shoe chain consists of $25m cash, and a $4m 11 per cent loan note, with a redemption date between 1990 and 1993.

At the same time Ward White announced the sale of Alexander Comley, part of last year's LCP acquisition, for £262,000.

Security Archives up by 50%

By Dominique Jackson

Security Archives (Holdings), business data storage company, increased pre-tax profits by more than 50 per cent from £210,000 to £319,000 in the six months to September 30, 1987.

The company, which joined the Unlisted Securities Market last October, increased turnover by 26 per cent to just under £1.3m.

Mr Tony Paxley, managing director, said demand for the company's specialised data storage and retrieval services continued to grow as commercial users balked at the high cost of using office space for archive storage.

The company handles confidential storage for more than 900 clients, using a network of guarded vaults, including converted World War Two underground shelters in the London area.

Security Archives forecasts a rise in pre-tax profits to £655,000 for the year to March 31.

There is no interim dividend, but Security Archives expects to recommend a final dividend of 2.4p per ordinary share for the year.

Kenyon buy

Kenyon Securities, USM-quoted funeral director, has furthered its acquisitive ambitions via the purchase of Brown and Fenn, based in Suffolk, which conducts some 140 funerals a year.

Consideration will be satisfied by £75,000 cash and the issue of 12,963 shares.

Crean rights

James Crean, electrical fittings and food distributor, plans to raise I£16.5m (£14.8m) via a one-for-four rights issue at I£3. The issue is being underwritten by Ulster Investment Bank and Allied Irish Investment Bank.

Securiguard sees growth and plans further acquisitions

Securiguard Group, the security and cleaning organisation, reached its target in 1986-87 and started the current year well. There had been a substantial improvement in sales and profitability and prospects continued to be exciting, said Mr Alan Baldwin, the chairman.

City analysts have suggested this year's profit could double to exceed £3m, excluding any further acquisitions that might be made.

The company made its first venture overseas when it acquired City Security Guards, of New York, last December for a maximum £7m, of which £3m was paid initially. Part of the £8.25m rights issue was used for financing.

Mr Baldwin said current performance of CSG was encouraging. He remained confident that potential growth in the US merited further investment, and opportunities for expansion were being sought.

As forecast, profit for the year ended October 25 1987 advanced to £1.57m (£1m), and the final dividend is 3.3p for a 5p total (3.5p).

Turnover expanded to £31.3m (£23m) with the UK rising by 35 per cent. Growth in cleaning and maintenance had been spectacular, sales showing a 55 per cent rise. In security manned guarding remained the principal activity and continued to grow in a "highly encouraging manner". Emphasis on efficiency improved margins across the group.

Mr Baldwin said there was about £5m cash in the bank, but did not think there would be any of that left by the end of the year. "We're better off making acquisitions than with the money sitting in the bank".

A planned purchase in the UK and another in the US were shelved following "Black Monday", he revealed. They would have involved an unacceptable dilution of earnings.

Stockbroking side hits AC Holdings at midyear

THE OCTOBER stock market crash had an adverse impact on the stockbroking activities of **AC Holdings** and for the half year to end-December 1987 the company saw its profits fall from £655,005 to £220,543 pre-tax.

The directors said, however, that they were confident in the long-term about the Douglas Le Mare broking division which was not burdened by the heavy overhead structures of some of its competitors.

They remained optimistic about expansion of AC in the financial services field and said that the proposed 20 per cent equity participation in Dart Corporation, announced last month, would strengthen the asset base and hold out the prospect of increased earnings for the broking subsidiary.

Turnover for the opening half year expanded from £3.86m to £9.37m. After tax of £77,190 (£229,252) and minorities, earnings per 5p share emerged at 6.712p (21.288p). The company, which disposed of its 50.1 per cent interest in AC Cars to the Ford Motor Company in the latter part of 1987, is now involved in fund management through its 85 per cent-owned subsidiary, AC Stronghold, which was formed during 1986-87.

DIVIDENDS ANNOUNCED

	Current payment	Date of payment	Corres-ponding div	Total for year	Total last year
Armour Trust ....int	0.2†	May 16	nil	-	0.61
Bullough ....fin	9.7†	-	7.4	14	10.6
Drayton Far East ......fin	1.1	April 5	0.8	1.5	1.2
Dunton § ....int	0.26	-	0.2	-	0.5
Menvier-Swain § ......int	1.2	April 7	1	-	3.2
Securiguard ....fin	3.3	-	3.5	5	3.5
Shoralplan § ....fin	1	-	-	1	-
Textured Jersey ....int	2.5	-	2.25	-	6

Dividends shown pence per share net except where otherwise stated. *Equivalent after allowing for scrip issue. †On capital increased by rights and/or acquisition issues. §USM stock. ♦Unquoted stock. ♥Third market.

Highgate & Job breaks even at the half year

Highgate & Job Group almost broke-even in the half year ended September 30 1987, cutting its loss from £191,000 to £1,000. Loss per share was 0.10p (19.69p).

Last October £2m net was raised by a placing of 600,000 ordinary shares and a 1-for-2 rights issue. There were also additions to the board.

The chemical manufacturing division continued the improvement shown in the latter part of last year. It lifted turnover from £808,000 to £903,000 and turned from a loss of £53,000 to a profit of £28,000.

The directors said they were optimistic that this recovery would continue in the second half.

The merchanting side of the protein division has been disposed of. In the period turnover was £49,000 (£1.35m) and loss £9,000, down from £114,000 which included an exceptional £74,000 for product deficiencies.

It was intended to develop and expand the health product business of Kobic, and further new opportunities were under investigation.

Shoralplan advances to £1.25m

Shoralplan, a designer and constructor of office interiorsand which obtained a USM quotation last May, raised its 1986-87 profits from £772,000 to £1.25m pre-tax.

The directors said the company had nil gearing and over £1m in cash deposits. This, together with a strong cash flow, would provide the funds needed for Shoralplan's planned expansion.

It was believed that the strong financial position and the strength of the management team (Mr Richard Bennett has been appointed executive director) would provide the company with a sound base for both organic growth and acquisition.

The company's strategy was to build on its core business, increase regional coverage and enter related markets via aqcuisition.

The aim was to create a group of companies which provided design and construction services across the whole spectrum of the interiors market.

Turnover for the year to October 31 advanced from £6.96m to £8.8m. Three months into the current year the company already has orders in hand in excess of 1986-87's total turnover.

Earnings per 5p share worked through at 8.8p (5.3p). A final dividend of 1p is proposed, a 25 per cent increase over the figure anticipated at the time of flotation.

First Spanish

First Spanish Investment Trust received total revenue of £287,215 in the period from August 13 1987 to November 30 1987. In August the trust became the first London-quoted vehicle to specialise in the Spanish stock markets.

The directors attributed a fall in net asset value per ordinary share to 66.3p, compared with 95.7p (equalling net amount at time of launch), to dealing costs in establishing the portfolio and underweighting in the more defensive sectors of the market.

Abaco to enter job agency field

Abaco Investments, the professional services subsidiary of British & Commonwealth Holdings, has made its first move into the employment agency field.

Abaco is acquiring Team-Sel, a private company which specialises in supplying contract and temporary labour to the oil and gas industry. At the same time, Team-Sel is acquiring another employment agency called Femco.

The purchase of Team-Sel is the first in a series of acquisitions which Abaco intends to make in the employment sector. The *move will be spearheaded* by Mr Paul Sweet, managing director and major shareholder in Team-Sel. Abaco is paying £2.17m for Team-Sel, which in the year to July 31 made pre-tax profits of £258,000.

Wm Collins buys 60% of MSD

By Dominique Jackson

William Collins, publisher, is to pay £4.5m cash for a 60 per cent interest in MSD Holdings.

MSD markets a range of classical and popular records, cassettes and CDs, plus a range of video products, concentrating on the early-learning sector.

Ms Sonia Land, Collins financial director, said the publishing group had an option to acquire a further 15 per cent of MSD for up to £5m. This would be exercised if certain strict profit targets were met over the next three years.

T-Line suspended

Shares in Thomson T-Line, industrial holding company, were suspended yesterday. It is widely expected that it will announce the acquisition of Vernons Pools from Mr Robert Sangster, the millionaire racehorse owner.

In December, Thomson said it had an option to acquire Vernons. That was set to expire last Sunday.

Menvier-Swain profits rise 21% at midterm

The confident tenor of the chairman's statement at last September's annual meeting was borne out as **Menvier-Swain**, USM-quoted manufacturer of emergency lighting and fire alarm products, reported a 21 per cent expansion in first-half profits.

The pre-tax outcome for the six months to end-October rose from £1.03m to £1.25m on turnover of £9.27m (£7.59m) and Mr Charles Swain, chairman, said that current trading levels pointed towards "very satisfactory results for the full year."

Tax accounted for £440,000 (£338,000) and, after minorities of £8,000 (£5,000), earnings per 5p share worked through at 7.2p against 5.8p last time.

The group's core business continued to perform well, had contributed significantly towards the increase in earnings, and was well-placed to increase market share, Mr Swain added. The hybrid manufacturing operation continued to expand and currently had a record order book.

The interim dividend is raised to 1.2p (1p).

Sommerville up 12% midway

William Sommerville & Son, paper manufacturer, raised pre-tax profits by 12 per cent from £369,000 to £415,000in the half year to November 30, 1987. Turnover increased19 per cent to £4.64m.

The board said it had decided to push ahead with furtherinvestments in the coming year to improve efficiency and product quality.

During the period Sommerville made more paper and also continued to strengthen product mix. This performance was without any contribution from the company's second paper making machine, which it is hoped to have running early in the new year.

For the second half, the board saw no immediate effect on trading from the consequences of "Black Monday".

After tax of £147,000 (£133,000) first-half earnings per 25p share were up by 5p to 41.68p. *The interim dividend is* unchanged at 1p. Last year's total payment was 10p on £613,000profits.

Australian boost for Hampton

Hampton Trust, which became a subsidiary of Aurora Group of New Zealand last November, lifted its first half profit from £637,000 to £1.92m. There was a substantial increase in the contribution from Australian mining.

In the period ended September 30 1987 trading profit reached £3.78m (£2.64m), comprising UK rental £3.56m (£2.76m) less property expenses £329,000 (£191,000), and Australian mining income £1.08m (£70,000) less expenses £524,000 (nil).

Share of a joint venture contributed £167,000 (nil) and other income totalled £738,000 (£101,000), while interest costs rose to £2.4m (£1.88m). Earnings were 1.39p (0.63p) and the interim dividend is again 0.5p.

Aurora said it considered that Hampton's properties, with their strong reversionary potential, would continue to respond to active management. Taken with the improving profit from Martin Gold Mines, the growth shown in the interim results should continue.

It was reviewing options to use Hampton's strong investment base to launch a development programmme deploying its own construction expertise, and some potentially rewarding development opportunities were under consideration.

Textured Jersey hits £605,000

A healthier set of figures was announced by **Textured Jersey**, manufacturer of knitted fabrics, in the half-year to end-October 1987. Taxable profit for the period rose 91 per cent from £316,000 to £605,000 on turnover up from £9.37m to £10.35m.

The interim dividend is increased by 0.25p to 2.5p. Earnings per share at October 31 1987 stood at 10.18p (5.27p).

The directors said the order book was encouraging and they expected sales and profits for the full year to be comfortably in excess of last time.

IN BRIEF

HOGG ROBINSON and Gardner Mountain - company's US subsidiary, Republic Hogg Robinson, has acquired Garson-Blau for an initial $700,000 (£399,657) cash. Garson is a property casualty insurance agency based in Cleveland, Ohio.

BOARD MEETINGS

The following companies have notified dates of board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends. Official indications are not available as to whether the dividends are interims or finals and the sub-divisions shown below are based mainly on last year's timetables.

TODAY

Interims: Dolphin Packaging, Hambro Currency Fund, Howard Holdings, Meat Trade Suppliers, Orchid Technology, Unitech, YRM.
Finals: Electrolux

FUTURE DATES

Interims-	
BOC	Feb 11
Black and Decker	Mar 11
Green (Earnest)	Mar 8
Hellon Holdings	Feb 8
Impala Platinum	Feb 16
Regentcrest	Feb 17
Finals-	
Commercial Union	Mar 2
Higgs and Hill	Mar 29
Low and Bonar	Mar 7
Scandinavian Bank	Feb 11
TSL	Feb 4
Tace	Feb 11

UK COMPANY NEWS

Woodchester offer puts £38m price tag on Moorgate

BY PHILIP COGGAN

Woodchester Investments, the Irish-based vehicle for British & Commonwealth, yesterday unveiled the terms of its recommended offer for **Moorgate Mercantile Holdings**, the credit finance and leasing group.

The offer values Moorgate at £38m, compared with the £27.3m at which it was capitalised when the shares were suspended in December, following news of the takeover approach. "It's a full price, but we think there are plenty of opportunities to expand the business" said Mr Craig McKinney, Woodchester's chairman.

Moorgate will become the flagship of the Woodchester group in the UK. In particular, it will enable Woodchester to finance the instalment credit business of Lookers, the motor dealer. When Woodchester acquired a 29.9 per cent stake in Lookers last year, it was granted first refusal on all financing business.

Woodchester also plans to develop Moorgate's leasing activities and to market the insurance products through its Irish branch network. "Moorgate is a perfect fit" said Mr McKinney. "It took us four acquisitions in southern Ireland to build up the same range of businesses".

Last year, B & C transferred a 25.5 per cent stake in Moorgate to Woodchester, and a series of purchases in December topped the holding up to 29.9 per cent. In addition, Woodchester has irrevocable acceptances on behalf of a further 18.7 per cent of the equity.

Woodchester is offering 175 of its shares for every 200 in Moorgate, valuing each Moorgate share at 147p. There is a separate cash offer of 140p per share.

B & C has agreed to buy extra Woodchester shares at 160p to maintain its holding over 50.1 per cent. If the share offer is fully accepted, that will involve B & C acquiring just over 5m new shares.

On their return from suspension yesterday, Moorgate's shares jumped 23p to 138p and Woodchester's shares fell 5p to 163p. J Henry Schroder Wagg is advising Woodchester and Kleinwort Benson is acting for Moorgate.

Armour Trust boosts profit 27% to £0.73m

Armour Trust, an acquisitive industrial holding company, lifted taxable profits by 27 per cent to £733,000 on turnover ahead from £7.92m to £9.68m in the six months to October 31 1987.

The group is involved in confectionery manufacture and the distribution of electronic components and car accessories.

Armour Automotive had an excellent six months trading, they added. The Polco operation continued its programme of product development, rationalisation and repackaging and broadened its marketing base via the purchase of Molson Distributors.

Stag, manufacturer of ignition lead sets, brake hardware and other replacement parts which was acquired last July, made a contribution to group profits during the period.

Sales and profits of the Carter Penguin confectionery subsidiary exceeded last year's record results.

After tax of £281,000 (£214,000) and minorities of £26,000 (£15,000), earnings per 10p share came out at 1.97p (1.54p).

A maiden interim dividend of 0.2p is to be paid. Previously, Armour had paid a single annual dividend, the last payment being 0.606p.

SHARE STAKES

Changes in company share stakes announced over the past week included:-

Asset Trust- On conversion of loan stock 300,000 ordinary shares issued. As a result director B. Banks and family beneficially acquired 220,000 and now interested in 1.1m shares (13.4 per cent), 60,000 warrants and £22,000 convertible redeemable unsecured loan stock. Mr Banks also has non-beneficial interest in 112,500 ordinary and £3,000 convertible stock.

Buckley's Brewery- Guy Cramer purchased 200,000 (1.32 per cent) through the market at 184p. His beneficial interest up to 18.29 per cent.

Delyn Packaging- Coast Investment and Development of Kuwait lifted shareholding to 665,000 (8.35 per cent).

P.E.Kemp- Chairman and managing director Peter Kemp purchased 9,000 ordinary at 55p and holds 409,000 (9.04 per cent).

BUSINESS LAW

Higher education and private enterprise – learning a lesson from London's East End

By B.S. Markesinis

AS THE mighty institutions of Oxford and Cambridge brace themselves for what many of their members must regard as the distasteful task of fund-raising for the sake of their future survival, they might benefit from a glance at the Centre for Commercial Law Studies in the unlikely location of Mile End Road, in the East End of London.

The starting point of the Centre's philosophy is the belief that in the current educational climate, while it would be wrong to relieve government of all its obligations towards higher education, it is equally unrealistic not to expect academics to contribute towards their upkeep.

Academics, like some members of the upper classes, often profess a distaste for matters of the purse. This is unconvincing, and invariably dangerous since it encourages the apathetic view that the cosy world of yesterday will continue tomorrow; that tenure insulates academics from the dreadful notion of productivity; and that the world owes them a living, come what may. Such attitudes cannot survive in the future. The pressure to cater for large numbers and maintain high standards – often a contradiction in terms – cannot be met unless academics enter the market-place.

That this may alter their traditional character is probable, but not necessarily bad. It is also obvious that new ways must be found to support the important subjects which cannot link their funding to the activities of industry and commerce. But few are able to argue convincingly that the *status quo* can continue.

If, then, a change has to take place, how is it to come about? What will have to go first is the "ivory tower" mentality and the idea that academe (and academic lawyers in particular) can survive in a state of splendid isolation

What will have to go first is the 'ivory tower' mentality and the idea that academe can survive in a state of splendid isolation from commerce and industry

from commerce and industry. If there cannot be a marriage of love between the two sides, there must be one of convenience.

There should also be a willingness to restructure the law curriculum to reflect new needs. Oxford will probably retain its special pre-eminence in jurisprudence – the principles and philosophical aspects of law. Cambridge will, no doubt, maintain its lead in legal history. These are important subjects. Like the teaching of foreign law they can counterbalance the "black–letter" law training, which concentrates on the practical conclusions to be drawn from particular statutes or judgments and which often ends in sharpening the mind by narrowing it. But London needs to teach black-letter law subjects, like commercial, banking, and intellectual property law, in a way which provides both a practical understanding of the subject and also puts the subjects in a wider perspective.

The University of London law colleges are about to introduce one of the most elaborately structured courses in revenue law. And there are plans – some already half implemented – for the teaching of new subjects such as energy law and computer technology law and new diploma courses in arbitration and media law.

This enlarging of horizons can bring not only a closer co-operation with industry but also better contact between the teaching and practising sides of the legal profession. Practitioners, working under great pressures of time, are often unable to keep fully abreast of developments in the law outside their own specialisation and thus welcome high-powered refresher courses from academics. The newly-emerging subjects also need the doctrinal analysis and linking with traditional topics, such as contract law, which only academics can undertake.

However, the teacher of law also needs the practitioner. This is not just a question of financial support for conferences and continuing legal education programmes which provide an excellent medium for contact and interaction. It is also a question of providing academics with the kind of knowledge about the subject that cannot be found in books. The UK needs more practitioners in universities and more academics with suitable contacts with the world of practice. For the purists, of course, such ideas carry with them the threat of a lessening commitment to teaching and research. These fears are exaggerated. Some academics, alas, come close to abandoning all research and most writing as soon as they acquire tenure. Those who do not, however, would find new areas of research opening up; and discover funds to support them in their endeavours.

Finally, I think we must try to capture the 'external' market. For example, my faculty at Queen Mary College has created an ambitious and expanding programme with the University of Texas at Austin which has been academically recognised by the American Bar Association. For the faculty, this has meant an influx of new ideas in the classrooms, as well as money in its coffers; while for the students it has led to a widening of horizons and new opportunities to work with firms that bridge the Atlantic. The link has also created the first, and only, visiting Chair of American Law in this country, thanks to a generous gift from the Houston-based M.D. Anderson Foundation. Similarly, the Leverhulme Trust has generously funded a visiting Chair for a Dutch Scholar as well as a large number of scholarships for Dutch students who will also probably spend some time in London law firms. Indeed, law firms must be encouraged to take a more active part in setting up such exchange programmes.

The teacher of law needs the practitioner, not just to give financial support for conferences, but to provide the kind of knowledge that cannot be found in books

Such schemes provide publicity and future business contacts for the donors, invaluable experience for the students, and much–needed funds for law faculties.

The choice of the Netherlands was not fortuitous – it has a great legal tradition, entrepreneurial talent and anglophile sentiments, unsurpassed in any other civil law country. In fact, an Institute of English law was recently created in Leiden, with the Dutch government and business interests playing a vital role. The Institute is still in its infancy; but it is proudly flying the common law flag in a country which next year celebrates 300 years of a special relationship with Britain.

If the British Government believes in private enterprise and initiative, it should ensure that there are sufficient incentives for such initiatives to flourish. Why not, for example, a scheme which matches every pound privately raised with one from the public purse? Other ideas could be considered. At this stage, however, what matters is to publicise this rare, if not unique, example of private enterprise in the East End of London.

By putting these ideas into practice, in less than seven years the Centre of Commercial Law Studies has created ten full-time academic positions (including four Chairs), a further ten Visiting Fellowships and nine supporting administrative posts, all funded from private sources. It thus offers an example of how personal initiative and drive – that of Professor Roy Goode, the Centre's Director – pays off handsomely and not only in financial terms. What is more, the success can be repeated if others have the imagination to follow and the Government the wisdom to encourage.

The author is Denning Professor of Comparative Law at the University of London and Acting Director of the Centre for Commercial Law Studies at Queen Mary College, University of London.

● FT LAW REPORTS

Boeing crash reinsurance claim is successful

BODEN v HUSSEY
Court of Appeal (Lord Justice Dillon and Lord Justice Neill): January 29 1988

PROVISIONAL PAYMENT made by a reinsurer to the reinsured pending determination of liability is a "loss" recoverable from his own excess loss reinsurer if paid under a legal obligation and if the excess loss policy, on its true construction, contemplates provisional payment with subsequent adjustment.

The Court of Appeal so held when dismissing an appeal by the defendant, Mr Maurice Hussey, representative underwriter of Lloyd's syndicate number 317, from the refusal by deputy Commercial Court judge, Mr Adrian Hamilton QC, of his application to stay an action by plaintiffs, Mr Kenneth Boden, Mr John Tilling, Mr Michael Gravett and Mr Peter Hardy, representative underwriters of Lloyd's syndicates, numbers 710, 711, 340, 227, 382 and 385. The judge gave summary judgment for the plaintiff syndicates.

LORD JUSTICE NEILL said that on June 23 1985 an Air India Boeing 747 jumbo jet crashed into the sea off the west coast of Ireland. It was a total loss.

Air India had a combined all risks and war risks cover with General Insurance Corporation of India (GIC). GIC had settled the claim. It was still not known whether it was an all risks claim or a war risks claim.

GIC was reinsured on the London market as to 74.15 per cent for all risks, and 79.7 per cent for war risks. The Boden, Tilling, Gravett and Hardy syndicates (the plaintiff syndicates) participated in the war risk reinsurance either as direct reinsurers or as quota share reinsurers.

They each entered into excess loss reinsurance with the Hussey syndicate.

All the direct reinsurers had settled GIC's claims. The quota share claims were also settled.

Those payments were made pursuant to (a) a 50 per cent/50 per cent claims agreement contained in the reinsurance contracts; and (b) an agreement made in September 1985 between GIC and most of the all risks and war risks reinsurers.

The 50 per cent/50 per cent claims agreement was to cover the eventuality that there might be doubt as to which reinsurers should respond to a particular loss. The slip provided that in the event of doubt as to whether a claim fell under an all risks or a war risks policy, it should be provisionally funded by means of a loan on a 50 per cent/50 per cent basis, "or as mutually agreed between the respective leading underwriters."

The September 1985 agreement provided that all reinsurers would pay GIC 50 per cent of their 74.15 per cent order and the war risks reinsurers would also pay GIC 50 per cent of their 79.70 per cent order. It provided for arbitration to adjust the settlement without prejudice to final determination as to the cause of the accident.

The plaintiff syndicates had made payments to GIC in pursuance of the September agreement. They now claimed to recover those payments from the Hussey syndicate.

The plaintiffs' right to recover was challenged by Mr Hussey on the ground that a reinsurance contract was a contract of indemnity, and that liability to indemnify did not arise unless and until it had been established (a) that the reinsured was liable; and (b) that his liability fell within the scope of the reinsurance contract.

In *London County Commercial Reinsurance Office [1922] 2 Ch 67, 80* Mr Justice Lawrence said that "the reassured, in order to recover from their underwriters, must prove the loss in the same manner as the original assured must have proved it against them."

In *Versicherungs und Transport A/G Daugava (1934) 49 Ll L R 252,254* Lord Justice Maugham said that "the insurer has no cause of action against the reinsurer until the loss for which the former is liable (if any) has been ascertained."

It was important to keep those statements in mind. Nevertheless, in the end determination of the issues depended on the construction of the relevant documents.

The first issue was whether a reinsurer who had paid under the 50 per cent/50 per cent clause was entitled to indemnity in respect of that payment, as a "settlement" or "loss".

The policy between the Boden syndicate and the Hussey syndicate was typical of all the policies.

Article I provided "This agreement is to cover the liability of the reassured for losses...under policies...of...reinsurance covering war...risks."

By article II the reassurers agreed to indemnify the reassured whenever he had made a payment in excess of £20,000 "on interest falling within the scope of this agreement".

Article IV provided "ultimate nett' loss shall mean the sum actually paid by the reassured in settlement of losses...and shall include all adjustment expenses arising from the settlement of claims."

Article VII provided "All loss settlements made by the reassured shall be binding on the reinsurers."

The question was whether the reassured had made a payment in respect of a "loss" so as to bring into play the obligation to indemnify contained in article II.

Mr Ruttle for Mr Hussey was prepared to accept that where liability was established provisional settlement could constitute a "loss" though precise quantum had not been ascertained.

But, he submitted, if it was uncertain whether a reinsurer would be under any liability *at all* on final settlement, it was impossible to treat him as though he had suffered a "loss". Classic insurance principles required that a loss must be proved before any question of indemnity could arise.

There was force in that argument. Arbitration or litigation might establish that the crash did not, for example, fall within the war risk insurance.

However, if articles I, II IV and VII were read together, payments made under the 50 per cent/50 per cent clause did constitute "losses", and the Hussey syndicate was liable to make payments under article I.

Article IV clearly contemplated provisional payments with subsequent adjustments, and those payments were made in accordance with a legal obligation to do so. The fact that the whole of a provisional payment might be recovered did not make it different from a provisional payment of which a large fraction was recoverable when quantum between reinsurers had been finally adjusted.

The legal obligation to pay was sufficient to establish a loss in the context of the present form of reinsurance.

The second issue was whether a reinsurer who had made a payment under the September agreement was entitled to idemnity on the basis that it was "under" the slip.

In the agreement the term which varied the provisional funding from a loan to an outright payment was fully justified by the words "or as mutually agreed" in the 50 per cent/50 per cent claims clause.

Once one was satisfied that the obligation of the head reinsurer was an obligation to pay in respect of a "loss" under the head reinsurance policy, it followed that the Hussey syndicate as excess loss reinsurers, were obliged to indemnify.

The appeal was dismissed.

LORD JUSTICE DILLON agreeing, said that it did not inevitably follow as a matter of law that the "loss" which had to be ascertained, referred to in Lord Maugham's judgment, must be a finally established loss.

What the "loss" had to be to establish liability must depend on the true construction and scope of the policy. It could be something short of a finally established loss. The contribution of Mr Boden to the provisional funding under the 50 per cent/50 per cent arrangement was a presently enforceable liability under a policy which was within the scope of article I.

It was a liability of the reassured in respect of a claim which had to be met, and had been met, under the terms of the policy. Such a liability when met was a liability "for a loss" under the policy, even though the loss was only provisional.

The plaintiffs' claim was therefore within the indemnities given by the Hussey syndicate. Mr Hussey had no defence. The plaintiffs were entitled to summary judgment.

For the plaintiff syndicates: Timothy Walker QC and Andrew Smith (Clyde & Co)
For Mr Hussey: Stephen Ruttle (Ince & Co)

By Rachel Davies
Barrister

مكتبة من الأصل

Concorde Energy in £5m expansion

BY STEVEN BUTLER

Concorde Energy, the oil and gas exploration company, is spending £5m cash to acquire the UK oil and gas interests of Taylor Woodrow, the UK construction company, as well as some of its US oil and gas interests.

The acquisition would give Concorde a portfolio of UK oil and gas licences to add to its interests in the US.

Mr Alasdair Locke, chairman, said the acquisitions were part of Concorde's strategy of building itself into a large independent oil company, and part of a geographic diversification that could take it to West Africa and to the Far East.

"We don't want to be seen as just another UK company with assets in the US," Mr Locke said.

Concorde is 50.1 per cent owned by Mr Hubert Perrodo, who has oil assets containing 70m barrels of proven reserves. Mr Locke raised the possibility that these assets would become part of Concorde's holdings.

Mr Locke stressed that Concorde was not simply interested in acquiring assets for investment purposes.

"We are not investors, we are very much operators," he said. The company planned to use cash flows from its producing properties to fund further exploration efforts.

The acquisitions from Taylor Woodrow include interests in 18 onshore and 5 offshore licences, including a variety of operatorships. Also included are interests in 29 wells in Ohio.

The company said that a revaluation of Concorde's existing properties showed an increase in the value of the company of 18.75p per share to 128p.

Concorde also said it had raised £825,000 by the issue of 1.5m ordinary shares at 55p to an investment client of Credit Suisse Geneva.

Dunton rises to £0.3m

FIRST HALF profits of the **Dunton Group** rose from £180,000 to £261,000 pre-tax and the directors were looking for a satisfactory full year result.

In the six months ended November 30 1987 this USM quoted property developer, brick maker and engineering contractor lifted its turnover to £1.39m (£1.1m) and operating profit to £201,000 (£172,000). Share from the associate was £60,000 (£8,000).

Earnings came to 0.94p (0.65p) and the interim dividend is 0.25p (0.2p). In 1986-87 profit was £489,000 and the dividend 0.5p.

Profits from civil engineering increased and the advance had been sustained in the second half. Brick sales were strong and orders represented three months production.

Travenol

Travenol Laboratories, the UK heathcare group, has changed its name to **Baxter Heathcare** in a move aimed at establishing a single corporate identity following the merger with American Hospital Supply in 1985.

Blue Circle lifts stake in Birmid to 31.9%

By Michael Smith

Blue Circle, cement company, yesterday bought 501,000 shares in Birmid Qualcast to take its stake in the homes products and foundries company to 31.9 per cent.

Birmid, which is fighting Blue Circle's £275m takeover attempt, said the number of shares traded yesterday confirmed its opinion that its predator was now picking up the loose ends of votes.

"It shows it is going to be a close thing," said Mr Mark Nicholls, a director at S.G. Warburg, advisor to Birmid. "We have got our tails up."

Blue Circle said it had extended a no-fees broking service for Birmid shareholders wishing to dispose of their interest. Anyone who takes shares and proof of identity to Campbell, Neill and Co in Glasgow and Fyshe, Horton, Finney in Birmingham will be given a post-dated cheque for the next day to the value of 380p a share.

Waverley

Flavell Communications, a private investment company controlled by Mr Kevin Doyle, has acquired a further 2,500 shares in Waverley Cameron, bringing its total stake to 248,000 shares (25.87 per cent).

COUNTY POTTERIES has been granted options to acquire all the listed share capital of Royal Stafford China for a nominal consideration.

Merger delays put Imtec £2.6m in red

BY NIGEL CLARK

DELAYS IN achieving a planned merger and refinancing resulted in **Imtec Group**, USM-quoted micrographic product maker, suffering pre-tax losses of £2.62m for the 15 months to the end of June 1987 on turnover of £9.75m.

Of the losses, £1.65m occured in the last three months of the period. Mr Gerald Frankel, chairman, said that because of the delays the company had been unable to obtain sufficient working capital and had to seek increased financial support from a major shareholder. In addition it had been impossible to achieve expected savings.

In a statement to shareholders he said that the losses had resulted in net assets falling below half its called-up share capital and that the company was in breach of its borrowing powers.

An extraordinary meeting is being held on February 15 to consider the situation.

Imtec announced in August last year that it was merging with Laser-Scan International and raising £1.46m via a rights issue. The issue was conditional on the merger going ahead but that proved impossible.

Mr Frankel blamed the delays on having to deal with the Securities Exchange Commission in New York where Laser-Scan was quoted.

"It had been intended to acquire the minority stake first and then merge the rest of Laser-Scan. But there were delays in dealing with the SEC and circumstances kept changing."

"We eventually decided it was better to acquire the majority and buy the minority later."

The rights issue is going ahead on the same basis as before – 19.6m shares are being offered at 10p on the basis of 1-for-24. Bolton House Investments is taking up its allocation and is underwriting the rest of the issue.

The shares, suspended since March last year, resumed yesterday opening at 9p and closing at 13p.

In the statement to shareholders, directors said because of the factors affecting the company the investment should be considered speculative and advised holders to seek professional advice before deciding on whether to take up their rights.

However Mr Frankel said that the problems were behind the company. Sales at Imtec Micrographic were rising and the intake of machine orders in the last three months of 1987 was 37 per cent higher than the corresponding period. In addition, Laser-Scan was reporting a number of large orders.

Stated losses per 10p share came out at 16.4p (8.4p). There were extraordinary items of £1.02m (£235,000).

LandLeisure £14m buy

LandLeisure, property and leisure group controlled by Mr Peter de Savary and Mr George Martin, is to buy the Sloane Club in London and a Manhattan hotel for £14.12m.

The Sloane, a residential club based in Lower Sloane Street, has 116 bedrooms together with restaurants, function rooms and other facilities.

The mid-town Manhattan property has 100 rooms and Landleisure says that both it and the Sloane Club have considerable scope for development.

COMPANY NEWS IN BRIEF

BRITANNIA SECURITY, the fast-growing business services group, is taking full control of Priory Security Services, which installs and maintains burglar alarms. Britannia already had a 30 per cent stake; it is paying £430,000 for the rest of the equity.

BRITISH LINEN BANK, the merchant banking arm of the Bank of Scotland, is taking a 3.9 per cent stake in Guidehouse, the financial services group which recently joined the USM. Guidehouse and BLB will co-operate on the financing of management buy-outs and other equity issues.

CANNON STREET Investments is acquiring Bosca (UK) for a maximum £3.9m. Bosca imports and distributes wines and spirits; in its initial 11 months trading to March 31 1987 it made profits of £92,000 and for 1987-88 is expecting £480,000. Initial consideration is £2m cash of which £1.6m payable on completion. Additional consideration geared to profits.

GREAT SOUTHERN Group has bought Dundee Crematorium for £1.4m cash and the funeral business of Preston Ireland Bowker for £230,000 of which maximum £150,000 in loan notes. Dundee's profit for year ended March 31 1987 was £217,000. Preston operates three branches in Lancashire and Morecambe and acquistion provides platform for further expansion in north.

IMI is to sell its subsidiary IMI Hayes Metals to Amalgamated Metal Corporation. IMI Hayes is a metal merchant and stockist with sales in 1987 of £6m.

METEK INTERNATIONAL has paid £2.8m for Sanco, builders' merchant of Oxford. The vendors will retain contracting and installation companies.

NEIL & SPENCER: Shares of the laundry and machinery manufacturer have been suspended pending an announcement.

NORTHERN FOODS has agreed to buy the Evesham convenience food factory of Mattesons Wall's (part of Unilever) for £7.5m cash. Principal operation is the manufacture of sausage rolls for Marks & Spencer. Annual turnover after completion will be £14m.

PRACTICAL INVESTMENT made gross income £790,000 and taxed income £520,000 in half year ended November 30 1987. Net asset value per share 93.75p (104.04p at May 31). Interim dividend 1p and at least similar final forecast.

RENWICK GROUP has bought a total 775 acres of Kentucky farmland for $3.16m (£1.77m).

TRAFALGAR HOUSE has sold its mechanical and electrical contracting subsidiary, Young Austen & Young, to Brightside Environmental Engineering. The new business will trade as Brightside-Yay.

UNITED GUARANTEE, a distribution, services and energy company, is buying Adena, a US oil and gas production group. The consideration of £2.7m will be satisfied by the issue of 10m shares.

£29m March prison complex

A. MONK BUILDING AND CIVIL ENGINEERING, a Davy Corporation Co, has been awarded a thirty-month £29m contract by the Government's Property Services Agency for the contruction of a prison at March, Cambridgeshire. This is the second prison complex Monk has been awarded having recently completed HMP, Full Sutton, near York. The prison complex will provide living and working accommodation, educational and recreational facilities for the inmates with associated staff, administrative and security facilities. Two and three storey buildings of reinforced concrete frame structures form the main accommodation, medical and reception blocks with single-storey buildings for the farms and garden units and work services. Other buildings include a staff social club, workshops and a gymnasium.

Other contracts recently awarded include a £2.4m by-pass at Bozeat for Northamptonshire County Council; a £4.5m superstore in Cheltenham for Argyle Stores (Property) and a third multi-screen cinema valued at £1.4m. Davy A.T.C. Mining has been awarded a £1.9m contract at Grimethorpe Colliery by British Coal, North Yorkshire Area.

Offices for Equitable Life

SIR ROBERT McALPINE & SONS has been awarded a contract worth £14.9m to build and fit out an office block with basement car park in Aylesbury for The Equitable Life Assurance Society.

The air-conditioned four-storey office building with basement car park and roof-mounted plant room will have a structural steel frame. The building will be clad with precast concrete panels faced with in situ brick and double-glazed colour-coated aluminium curtain walling. Louvres and cladding will also be used to finish the roof-level plant room.

The flat roof will be finished with mastic roofing asphalt laid to falls with insulated light weight paving. The mansard plant rooms will have largely glazed opaque walls with profiled colourclad sheet metal roofing.

The building will provide a total floor area of about 14,000 sq metres. Office areas will have raised cavity floors with integrated trunking and will be finished with carpet tiles.

Ancillary works include the installation of all services, the provision of passenger lifts serving all floors, a goods bay loading lift and a document hoist. Additional external car-parking will be provided and the surrounding areas landscaped.

Textile factory for Gateshead

Design and construct orders worth more than £11m has been won by **MOWLEM INDUSTRIAL**, headquartered in Hexham, Northumberland. The largest, worth £2.1m, is for a 100,000 sq ft factory and offices at Team Valley, Gateshead, for English Estates North, acting on behalf of Bonas Machine Co, manufacturers of textile weaving machines.

In Washington, Tyne and Wear, Mowlem is building a 90,000 sq ft warehouse and offices for Freemans, the mail order company. Washington Development Corporation is acting as agent for this £1.7m project.

In Yorkshire and Lancashire, three repeat orders, totalling £1.4m have been won a warehouse extension for Ringtons Tea at South Kirkby, a production building for Derwent Plastics at Pickering and the second phase of Tremco's factory at Wigan.

Other contracts in the North include advance factories at Gateshead and Whitby, valued at £1.7m, for English Estates and a 25,000 sq ft warehouse extension for Fergusons Transport, valued at £250,000.

The Amersham office has four contracts: at Hayes and Wokingham two developments for Midas International Properties, with a combined value of £2.1m, will provide 86,000 sq ft of light industrial and office units; additional work at Horley Metro Centre for the same client is valued at £300,0000 and an office and laboratory in Wokingham for Soil Mechanics is worth £500,000.

Refurbishing West End offices

FAIRCLOUGH BUILDING has been awarded a substantial office refurbishment contract in London's Regent Street, by Randsworth Trust. Under a 61-week management fee contract, worth around £4m, Fairclough will upgrade and extend to eight storeys the office building at 5-11 Lower Regent Street, known as Charles House. The existing seventh storey and part of the sixth will be demolished and rebuilt, with an eighth storey added to house the new plant room. A ground-floor hall and reception area will be formed, featuring glass and marble finishes. Raised access flooring is to be installed in all office areas together with air conditioning. New mechanical and electrical services will be provided, including high-speed lifts, heating and ventilation, hot water and sanitary facilities. Windows to the front and rear elevations are to be replaced and new staircase lobbies provided. Scheduled for completion in October, the contract includes carpeting and redecoration throughout.

£6m workload for Gostling Builders

GOSTLING BUILDERS has been awarded contracts together worth more than £6m. The largest, at about £2m, is for the refurbishment of Ealing Town Hall for the London Borough of Ealing. Also for the London Borough of Ealing, jointly with the governors of the school, is a £1.4m contract for extensions to and refurbishment of Twyford High School, Acton.

Other projects include a £2m extension to Great Fosters Hotel, Egham, a Grade 1 listed building; a new church at Slough for Northampton Diocese (£450,000); the refurbishment of a store at Croydon for H & M Hennes (£515,000); a new office and storage building for Hudevad in Walton-on-Thames (£400,000) and two refurbishment projects in West London together worth about £500,000.

APPOINTMENTS

Group managing director of Sketchley

Mr Tony Coles, a director of SKETCHLEY and chief executive of the business services group, has been appointed group managing director. **Mr Philip Bradshaw**, a director and chief executive of the office equipment business, becomes deputy group managing director.

★

GRAMPIAN PHARMACEUTICALS has appointed **Mr Bob Bridgeman**, formerly managing director of Grampian's Caledonian Veterinary Holdings, as chief executive of the group. **Dr Paul Bramley** has been appointed director, research, development and registrations; **Mr Brian Clark** becomes director, sales and marketing, Young's Animal Health, with **Mr Peter Simm** becoming director, sales and marketing, C-Vet. **Mr John Yacomeni** is made manufacturing director. **Mr Jim Field** and **Mr Ray Austen** have been appointed associate directors for Young's Animal Health Australia and New Zealand, respectively.

LADBROKE GROUP has moved the headquarters of Hilton International to London. The company was acquired by Ladbroke last year. Mr John Jarvis, formerly chairman and chief executive of Ladbroke Hotels, has been appointed president as well as chief executive of Hilton International, while Mr Michael Hirst, a Ladbroke Group director, becomes deputy chief executive officer. Mr Hirst was managing director of Ladbroke Hotels. Mr Helmut Hoerman, previously president and chief executive officer of HI, remains in New York as a consultant.

Mr John Nettleton has been appointed a non-executive director of PARKDALE HOLDINGS. He is finance and commercial director of Wates City of London Properties.

The CONDER GROUP has appointed **Mr John Dickinson** as manging director of I.E.I. Northern, Leeds.

★

Mr Tony Munro has been appointed technical training and compliance officer at NOBLE WARREN INVESTMENTS.

★

Mr Terry Sylvester has been promoted to director of operations, UNICLIFFE, consumer subsidiary of Pfizer.

★

GIRDLESTONE PUMPS, Woodbridge, has appointed **Mr Patrick Rice** as company secretary.

★

SAUNDERS DESIGN, part of the WRCS Group, has appointed **Mr Roland Denning** as joint chairman. He was an executive director of Sears, and has been a non-executive director of Saunders Design since August 1987.

★

Miss Petrina Cassell has been appointed administration director and **Mr John Ellis** communications director at the LIFE ASSURANCE ASSOCIATION.

★

Mrs Alison Branch has been appointed adminstration director of METCALFE COOPER, *part of HunterPrint Group.*

★

Mr Graham R. Dowson has been appointed non-executive chairman of NASH INDUSTRIES. **Mr John F. Nash** remains a director.

COMMODITIES AND AGRICULTURE

London builds up lead in white sugar contest

BY DAVID BLACKWELL

THE CENTRE of gravity in the world white sugar trade is moving to London – attracted by the London Futures and Options Exchange's successful marriage of an innovative whites market with its long-established raw sugar futures.

The London Fox white sugar contract, launched last July with an automated trading system, last month traded more than 5,000 lots in a single day as prices touched a 21-month high. And faced with the prospect of demand outstripping output – leading broker Czarnikow is forecasting a 4m tonne deficit – traders are confident that the sugar market is entering a bull phase.

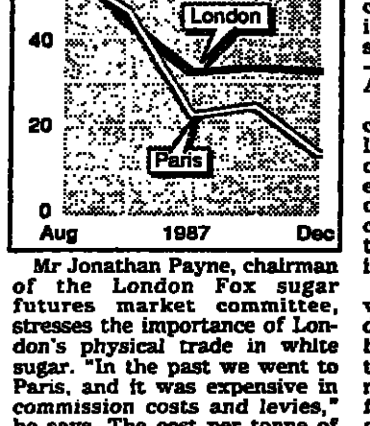
At the same time the Paris white sugar contract, which has been the mainstay of that market, has seen volume for the last quarter of last year at only half the level in the corresponding 1986 period.

Meanwhile the New York Coffee, Cocoa and Sugar Exchange's fledgling white sugar contract has failed to take off, with only 903 lots traded between its launch in October and the close of the year, in spite of hectic trading in its raw sugar contract.

London is well-placed to dominate the sugar trade, with brokers handling about 66 per cent of the world's 15m tonne physical trade. Between 50 per cent and 66 per cent of the London trade is in white sugar – and 70 per cent of London trade house business for whites was going to Paris before the advent of London's automated market.

Mr Saxon Tate, chairman of London Fox, believes the exchange has an ideal combination in the No 6 raw sugar contract, which is traded by open outcry at Commodity Quay, and the No 5 white sugar, traded on members' screens.

"If the two contracts were trading on the same floor, as in New York, traders would stick to the active contract. They wouldn't cross the floor," he says. "But with automated trading on the whites this doesn't happen."



Mr Jonathan Payne, chairman of the London Fox sugar futures market committee, stresses the importance of London's physical trade in white sugar. "In the past we went to Paris, and it was expensive in commission costs and levies," he says. The cost per tonne of trading in Paris was up to four times more than London when the Fox contract was launched.

Until recently the sugar market had been quiet for five or six years. "In a thin market costs are much more important," says Mr Payne.

He admits that the screen traders – there are nine – went out of their way in the early days to keep a bid and offer price always on the screen. But now cross trading is "very, very small."

Initially, the physical market was cautious of the automated trading system. But the cheap costs and long trading hours – 9.45 am to 7.10 pm – has proved attractive.

Paris has admitted that London's new contract has been a factor in its falling turnover, although it claims that London figures are inflated by intra-market activity.

However, the open interest in the London contract has risen steadily from a high of 20,457 contracts in August, to 33,747 contracts in January. Open interest in Paris has been steady – but has not increased – with 26,430 contracts in August and 25,705 in January.

The French have also acted to cut their costs. Yesterday a new law governing the country's commodity trading came into effect. Taxation on commodity dealing has been amended and capital gains tax has been cut to the same level as on other investments.

But Mr Payne believes they will be hard put to meet London's low costs. He also believes that London's ability to trade in both whites and raws is now attracting business from the US, where large amounts of speculative money are available, with all that entails for market liquidity.

In an effort to bring more US money to the London market, Fox is taking the battle into the enemy camp with a three-day promotional tour to New York on February 16.

"We can do it all in London," says Mr Payne. "Why trade whites in London and raws in New York?"

US sees export potential in Britain

By Nancy Dunne in Washington

THE US Department of Agriculture has identified the $16bn a year UK food market as one which is prime for penetration by American exports over the next few years.

On a list compiled by the Department's Foreign Agricultural Service of 20 best prospects for US exports, the UK is rated ninth. The falling dollar, cheaper US grain, and growing UK consumer spending are cited as factors contributing to the market's potential.

The USDA's $110m a year Targeted Export Assistance programme, which passes out funds to US industry groups for overseas promotions, is expected to play a large role in the market growth, according to a department report.

In 1986, the US shipped $678m worth of agricultural items to the UK. "Since then," the report says, "the lower valued US dollar has enhanced significantly the opportunities for expanding US exports of high-value products."

Between 1981 and 1986, American sales into the UK declined by almost 10 per cent, but that trend is now reversing. "Market opportunities are developing for almost every commodity, especially for products such as oilseeds and various specialty items like condiments and snack foods, which have non-variable levies and enter the UK with few restrictions," the report says.

American soyabean oil, for example, now has only 25 per cent of the UK market for liquid oils. To increase its market share, the American Soyabean Association has developed television and print campaigns – aimed at both consumer and trade audiences – advertising bottled soyabean cooking oil and promoting its use in manufacturing margarines.

UK use of US maize has shifted away from animal feed and into starch and food manufacturing. Breakfast cereals have shown considerable growth, the report adds, and the expansion is likely to continue. Potential also exists for increased imports of US fresh fruits and vegetables, dried fruits and nuts.

"Consumption of dried fruits in the UK is rising as consumers turn more and more to healthier foods," the report says. "Individual packages of dried fruits for snacking are becoming more popular and a wider variety of dried fruits is being used in baked products.

UK demand is also expected to rise for high protein US wheat, rice, peas, lentils, ornamental foliage and wood.

Heading the list of best prospects for the US agricultural trade is Japan, already its largest country market, followed by Taiwan, Canada, Hong Kong, South Korean, the Soviet Union, Italy, West Germany, the UK and Spain.

Surviving the bad times

FARMER'S VIEWPOINT

By John Cherrington

ONLY A few years ago, when he was Minister of Agriculture, Mr Peter Walker was advising British farmers to increase their production so as to save imports of food. This was nonsensical advice at a time when all farm produce exporters were increasing their output, including fellow members of the European Community.

Equally ill-advised were the sizeable grants available then from the Farm and Horticultural Development Scheme which tempted many farmers to borrow more than they should have done in order to put expansion schemes into operation. They are ruing the consequences now.

Being an old fashioned peasant type I borrowed no money in that period and only invested in new capital works when the initial allowances were 100 per cent. Now my policy is to lease equipment and eventually I shall own nothing but a heap of scrap iron. But I should at least be solvent.

Most other serious problems faced now by British farmers are connected with membership of the EC. I was always against joining on the terms offered, and because I said so in print, I used to be told that it would be much easier to negotiate the right terms once inside than from the outside. That view has not been borne out by experience.

The present row over measures to contain EC farm support spending through budget "stabilisers" and/or cereal acreage set-asides is a case in point. Apart from the Dutch there appears to be general support for the set-aside approach. But while the others also want a degree of price maintenance for what is produced above the target level the UK negotiators want set-asides to be backed up by a price reduction.

The British justify their case for price cuts by pointing to the much lower levels ruling on the world market. These prices, however, are not really "world prices" – they are set by the US Export Enhancement Program. A US wheat farmer can take advantage of a deficiency payment which brings his wheat price to just above $4 a bushel, equivalent to just under £100 a tonne – a figure we British could probably live with.

The only countries which are paying their farmers the world free market price are Australia and Argentina and both of those are reducing production.

It is probable that the real cost of growing and marketing grain is roughly the same in terms of resources used wherever it is grown, something Britain's fellow EC members are well aware of.

In fact there is quite a degree of optimism about the future of grain trade. It started at conferences in the UK and in Europe and spread to the US Wheat Associates meeting in New Orleans recently, where an observer told me that he was particularly impressed by the attitude of the main shippers, who prophesied a wheat shortage by the autumn.

That attitude has been taken up by British farmers who, in spite of ministerial warnings, do not seem to be taking much notice of the present set-aside proposals. At a recent grain growers' conference one speaker pointed out that by the year 2000 there would be, on current projections, another 1bn mouths to feed worldwide and argued that there would be demand for all the grain farmers could grow.

What has got British farmers really angry has been the "Green Pound Syndrome". The green pound – the artificial exchange rate used to translate EC support prices into sterling – is at present so overvalued as to reduce the earning power of every acre of UK farm land by about £25. That assessment is based on Lord Northampton's estate, where unless something is done a number of tenants could go bankrupt and others give up farming.

The National Farmers' Union and other bodies are submitting similar arguments, but so far the British Government has refused to do anything about it, and until we join the European Monetary System I fear nothing will be done.

At the moment this suits the Government because it keeps consumer food prices down.

Farmers might feel less aggrieved if the Government explained in simple terms why the disparities existed and what could be done about them. Sir Geoffrey Howe was asked about this the other day and simply said that British farmers had their advantages – but he did not try to specify them.

As a recently failed pig farmer – defeated by the subsidy on Dutch and Danish bacon imports resulting from green currency distortions – I am feeling very sore indeed, although I should have known better than to expect fair play as we know it from the Europeans.

I could of course export my grain to the Netherlands, but unfortunately there is a little matter of about a £20 a tonne levy against it.

And now, just to confuse the picture further, Mr John North of the department of land economy at Cambridge University is telling us that by 1992 we shall have to take 30 per cent of productive land out of farming just to make up for the 2.5 per cent increase in productivity to be expected by then.

Farmers are baffled, but a consultant of my acquaintance, says he has the answers.

First he looks at the rent. If there is a landlord he tells the tenant to get it halved for a start. There is no reason, he suggests, why landlords, who have had a good run lately, should not share the general grief. Does the tenant think anyone else would pay any more?

If the rent is a finance charge then assets can be sold and second-hand or hired machinery used. It may be somewhat less efficient but the exercise could still turn small losses into small profits.

Next comes the labour force.

"What does that old chap do for his 50 quid a week?" he asks.

"Well, he rears a few calves and does a little gardening," replies the farmer.

"Could your wife not rear the calves? Or could she bring in the money in any other way?"

Then there are the two men looking after 120 cows and followers at a cost of about £20,000 a year.

"There is big scope here for a saving," says the consultant triumphantly.

"But how?" the client asks with a sinking heart.

"Well if you really wish to go on farming you will milk the cows yourself and your wife will see to the calves . . . What do you do any way?"

"Well I go to market and manage things generally," says the farmer. "But what that means is difficult to say. In any case in 30 years of farming I have never done any practical farm work."

The consultant is not impressed. "If you wish to survive the present difficulties you will never learn younger,if you don't . . . good afternoon."

Guayana strike enters second week

A STRIKE in the Guyana sugar industry has gone into a second week with little indication that the state-owned Guyana Sugar Corporation and the industry's trade union are any closer to resolving their differences, writes Canute James in Kingston, Jamaica.

The strike has shut down five of the country's eight mills, which had started this year's first harvest.

The company and the union have disagreed over the payment of production incentives, with the union asking for payment equal to eight days' work and the company offering three days' equivalent.

Officials of the Sugar Corporation said the strike had not yet affected Guyana's shipments to the European Community or to Caribbean markets. They said, however, that, if it continued beyond this week, Guyana would be unable to meet its 240,000 tonne production target for this year.

The country produced 221,000 tonnes last year.

Gulf aluminium expansion planned

PLANS FOR a significant expansion in aluminium smelting capacity in the Gulf are to go ahead after a year of record production in 1987, in spite of a recession caused by declining government oil revenues, Reuter reports from Bahrain.

One of the two smelters in the Gulf is preparing to boost capacity by 25 per cent, construction of a third smelter is scheduled to begin in July and plans for a fourth are under study.

"We're working on the basis of vast closures in the US," said one industry consultant. "Everyone has agreed that a third smelter in the Gulf – and maybe a fourth – is possible."

Mr Gudvin Tofte, chief executive of Aluminium Bahrain (Alba) said that the price at which he sold aluminium had nearly doubled in a year.

"Right now, there are no signs prices will fall," he said.

The Gulf's main advantage is its huge fields of natural gas, making power costs for local producers among the cheapest in the world, according to officials in the energy-intensive industry.

Canada's aluminium industry can rely on vast resources of cheap hydro-electric power, but US producers, who account for a big share of the 13m to 15m tonnes of annual world production, have been hit by rising energy costs.

Copper concentrates shortage

BY KENNETH GOODING, MINING CORRESPONDENT

A WARNING that there might soon be shortages of copper concentrates (partly processed ore containing 25 to 40 per cent copper) in the southwest US and a drop in that country's exports is given in the Base Metal Concentrates newsletter.

Unless new mines are developed in the southwest US or there are closures of copper smelters, both Asarco and Inspiration Consolidated Copper, "will be dreadfully short of concentrates for their US smelters," it suggests.

US exports of copper concentrates, which reached 174,300 tonnes in 1986 – equivalent to a mine the size of Bougainville in Papua New Guinea – might decline dramatically.

The newsletter traces the possible problems from Cyprus Minerals' decision to re-open its copper processing plant at Casa Grande in Arizona.

This will remove a potential 60,000 tonnes a year from the custom copper concentrates market. Add the fact that Phelps Dodge intends to close its Tyrone mine in New Mexico, which produced 105,235 tonnes of copper in concentrates in 1986, "and the reopening of the Casa Grande plant begins to be really important."

Looking at the world scene, the newsletter points out there are big increases in copper concentrate production planned so that "over the longer period the market looks like tipping occasionally into surplus supply."

The crucial project is the potential development of the giant La Escondida orebody in Chile by a consortium including BHP, Utah, RTZ and Mitsubishi.

"Unless there are significant mine closures in the medium-term, custom concentrates from this venture will not be absorbed without creating a serious and structural supply surplus," the newsletter predicts.

Base Metal Concentrates: £600 a year for six editions, from Metals and Minerals Research Services, 222 Strand, London WC2R 1BA.

LME WAREHOUSE STOCKS (Change during week ended last Friday) tonnes

Aluminium standard	–4,300	to 23,725
Aluminium high grade	–650	to 39,150
Copper	+675	to 46,275
Lead	+1,750	to 14,100
Nickel	–66	to 2,838
Zinc	+700	to 42,250
Tin	–5	to 19,275
Silver (oz).	–410,000	to 19,360,000

Peru's mining problems continue

SOUTHERN PERU Copper Corporation, the country's largest privately held mining company, has been hit by a strike, writes Barbara Durr in Lima.

On January 28, during a 24 hour national strike, six of the company's seven unions went out at Toquepala, which produced approximately 40 per cent of the company's 250,000 tonnes of copper last year.

A Southern Peru official called the strike serious. Negotiations are continuing, but the company fears the strike is more political than industrial and sees little promise of a quick resolution.

A strike at Peru's largest mining company, the state-owned Centromin, ended last week.

About 8,000 miners returned to work after winning a general daily wage increase of 107 intis, or $1.70, and a series of other job benefits.

WORLD COMMODITIES PRICES

LONDON MARKETS

COPPER PRICES fell sharply on the London Metal Exchange yesterday, with grade A metal closing at the afternoon ring low of £1,139.50 a tonne, down £87 a tonne on Friday's close. Cash metal fell £119.50 to £1,227.50 a tonne following last week's total decline of £50.50 a tonne. The continuing downward pressure on the market followed further weakness in New York and stale bull liquidation, traders said. Nickel prices also declined sharply on the first day of trading in dollars. The market also featured stale bull liquidation, with three-month metal closing at $7,635 a tonne, equivalent to $3.46 a lb. Analysts said the market seemed vulnerable to further losses after the breach of the $3.50 support level. Cocoa prices closed down slightly, with yesterday's purchase of 1,000 tonnes for the International Cocoa Organisation buffer stock having no impact.

SPOT MARKETS

Crude oil (per barrel FOB)		+ or -
Dubai	$15.45-5.55z	+0.125
Brent Blend	$16.05-6.15	–0.15
W.T.I.(1 pm est)	$16.85-6.90z	–0.07
Oil products (NWE prompt delivery per tonne CIF)		+ or -
Premium Gasoline	$158-160	
Gas Oil (Soviet)	$135-137	–2
Heavy Fuel Oil	$70-72	
Naphtha	$148-150	–2.5
Petroleum Argus Estimates		
Other		+ or -
Gold (per troy oz)♣	$451.50	–4.75
Silver (per troy oz)♣	653c	+1
Platinum (per troy oz)	$456.75	–12.00
Palladium (per troy oz)	$115.75	–0.50
Aluminium (free market)	$1970	+20
Copper (US Producer)	120¾c	
Lead (US Producer)	40c	
Nickel (free market)	380c	–5
Tin (European free market)	£3925	+75
Tin (Kuala Lumpur market)	17.25r	
Tin (New York)	316.50c	+1.00
Zinc (Euro. Prod. Price)	$890	
Zinc (US Prime Western)	44.75c	
Cattle (live weight)†		
Sheep (dead weight)†		
Pigs (live weight)†		
London daily sugar (raw)	$250.00w	–5.80
London daily sugar (white)	$251.00w	–1.50
Tate and Lyle export price	£251.00	–2.00
Barley (English feed)	£111.00	–0.25
Maize (US No. 3 yellow)	£138.00	
Wheat (US Dark Northern)	£98.00u	
Rubber (spot)♥	63.50p	+0.50
Rubber (Mar)♥	68.00p	+0.50
Rubber (Apr)♥	68.00p	+0.50
Rubber (KL RSS No 1 Feb)	279.00m	
Coconut oil (Philippines)§	$560.00x	
Palm Oil (Malaysian)§	$445.00	
Copra (Philippines)§	$390.00	
Soyabeans (US)	£153.00	+2.00
Cotton "A" index	68.10c	+0.05
Wooltops (64s Super)	526p	+3

£ a tonne unless otherwise stated. p-pence/kg. c-cents/lb. r-ringgit/kg. w-Feb/Mar. v-Jan/Feb. z-Mar. u-Apr/May. x-Mar/Apr. † Meat Commission average fatstock prices. * change from a week ago. ♥ London physical market. §CIF Rotterdam. ♣ Bullion market close. m-Malaysian/Singapore cents/kg.

COCOA £/tonne

	Close	Previous	High/Low	
Mar	1073	1080	1085	1065
May	1097	1099	1104	1088
Jly	1117	1120	1120	1108
Sep	1135	1139	1140	1128
Dec	1157	1160	1160	1149
Mar	1183	1183	1185	1170
May	1203	1203	1195	1190

Turnover:3574 (5320) lots of 10 tonnes. ICCO indicator prices (SDRs per tonne). Daily price for February 1: 1355.40 (1362.93) .10 day average for February 2: 1423.78 (1435.50).

COFFEE £/tonne

	Close	Previous	High/Low	
Mar	1217	1210	1220	1208
May	1239	1235	1244	1233
Jly	1263	1255	1267	1257
Sep	1285	1275	1288	1280
Nov	1303	1295	1305	1300
Jan	1320	1320		
Mar	1350			

Turnover: 2779 (5547) lots of 5 tonnes. ICO indicator prices (US cents per pound) for January 29: Comp. daily 1979 115.89 (115.61); 15 day average 115.21 (115.13).

SUGAR $ per tonne

Raw	Close	Previous	High/Low	
Mar	202.40	219.00	220.20	196.00
May	199.20	214.40	216.00	195.00
Aug	198.80	213.00	212.20	201.00
Oct	195.00	211.00	212.20	194.00
Dec	196.00	212.00		
Mar	196.00	210.80	211.20	201.00
May	197.00	210.00		
White	**Close**	**Previous**	**High/Low**	
Mar	237.50	248.00	252.00	235.00
May	240.00	248.00	249.50	242.00
Aug	243.00	250.00	252.00	245.00
Oct	243.00	249.00	251.00	248.00
Dec	246.00	250.00		
Mar	245.00	253.00	253.50	253.00
May		254.00		

Turnover: Raw 7407 (4883) lots of 50 tonnes; White 1976 (825). Paris- White (FFr per tonne): Mar 1390, May 1397, Aug 1417, Oct 1417, Dec 1425, Mar 1440.

GAS OIL $/tonne

	Close	Previous	High/Low	
Feb	136.75	138.50	138.50	136.00
Mar	136.75	138.00	138.50	136.25
Apr	135.50	135.50	136.25	135.00
May	133.75	133.50	134.50	133.50
Jun	134.75	135.00	135.25	134.75
Jly	134.75	135.50	135.50	134.75

Turnover: 4747 (2552) lots of 100 tonnes

GRAINS £/tonne

Wheat	Close	Previous	High/Low	
Mar	108.05	109.75	109.00	107.95
May	110.20	111.80	110.80	109.90
Jly	112.50	114.00	113.00	112.20
Sep	103.30	103.10	103.30	103.25
Nov	105.10	104.85	105.15	105.05
Jan	107.50	107.45	107.55	107.50
Mar	110.00			
Barley	**Close**	**Previous**	**High/Low**	
Mar	106.45	107.05	106.85	106.45
May	107.45	108.15	107.85	107.45
Sep	97.85	97.85		
Nov	100.50	100.50		
Jan	102.85	102.85		
Mar	105.25			

Turnover: Wheat 475 (374) , Barley 23 (17) lots of 100 tonnes.

LONDON METAL EXCHANGE (Prices supplied by Amalgamated Metal Trading)

	Close	Previous	High/Low	AM Official	Kerb close	Open interest
Aluminium, 99.7% purity ($ per tonne)						Ring turnover 1,050 tonne
Cash	1985-95	1935-45		1974-5		
3 months	1855-75	1830-40		1860-5	1835-55	2,619 lots
Aluminium, 99.5% purity (£ per tonne)						Ring turnover 50,300 tonne
Cash	1124-8	1093-4	1120	1121-2		
3 months	1049-50	1034-5	1052/1034	1049-50	1040-2	48,469 lots
Copper, Grade A (£ per tonne)						Ring turnover 34,400 tonne
Cash	1225-30	1346-8	1290	1288-90		
3 months	1139-40	1226-7	1205/1109	1177-8	1113-5	76,330 lots
Copper, Standard (£ per tonne)						Ring turnover 0 tonne
Cash	1190-200	1265-70		1225-30		
3 months	1130-40	1170-5		1160-70		41 lots
Silver (US cents/fine ounce)						Ring turnover 0 ozs
Cash	654-7	645-8		650-1		
3 months	665-8	657-60		662-4		694 lots
Lead (£ per tonne)						Ring turnover 8,075 tonne
Cash	387-8	387-9	395/382	394-5		
3 months	335.5-6	353-4	358/353	358-9	355-6	12,859 lots
Nickel ($ per tonne)						Ring turnover 4,350 tonne
Cash	7800-20	£4790-810	8230/8220	8210-20		
3 months	7630-40	£4500-10	7900/7400	7830-5	7600-10	9,090 lots
Zinc (£ per tonne)						Ring turnover 5,525 tonne
Cash	497-8	487-9	501-498	498-9		
3 months	501-2	501.25-1.5	505/500	500-500.5	501-2	12,965 lots

POTATOES £/tonne

	Close	Previous	High/Low	
Feb	96.00	97.50	98.00	96.00
Mar	84.00	84.50	84.00	
Apr	150.50	150.80	152.00	150.00
May	167.50	168.50	169.00	166.50
Nov	96.00	96.00	96.00	
Feb	102.50	105.00		

Turnover: 225 (203) lots of 100 tonnes.

SOYABEAN MEAL £/tonne

	Close	Previous	High/Low	
Apr	129.00	128.00	129.00	127.60
Jun	123.00	122.50		
Aug	122.00	120.00		
Oct	123.00	121.50		
Dec	125.50	123.80		
Feb	127.00	126.00		

Turnover: 60 (75) lots of 100 tonnes.

FREIGHT FUTURES $10/index point

	Close	Previous	High/Low	
Apr	1505.0	1495.0	1520.0	1498.0
Jly	1367.0	1360.0	1385.0	1367.0
Oct	1405.0	1397.0	1420.0	1400.0
Jan	1397.5	1391.0	1410.0	1397.5
BFI	1399.5	1393.0		

Turnover: 248 (417)

TEA

There were 25,875 packages on offer at the London tea auction including 4,600 packages in the offshore section, reports the Tea Brokers' Association. Selected best liquoring Assams held values but mediums met less demand and closed 4-8p lower. Bangladesh teas opened quite strongly but finished 3-4p down with plainest sorts neglected. Best liquoring East Africans started on a firm note but lost several pence later in the sale, while mediums were irregular and often 4-8p easier. Central Africans were difficult of sale. Ceylons met only fair demand, generally 5-8p below valuation. In the offshore auction Kenyans lost 2-3p while others were about steady. Quotations: quality 180p a kg nominal (180p); medium 130p (140p); low medium 95p (102p).

LONDON BULLION MARKET

Gold (fine oz)	$ price	£ equivalent
Close	451¼-451¾	257-257½
Opening	452½-453	258½-259
Morning fix	454.55	259.163
Afternoon fix	452.70	257.509
Day's high	454¾-455¼	
Day's low	450½-451	
Coins	**$ price**	**£ equivalent**
US Eagle	464-469	264-267
Mapleleaf	464-469	264-267
Britannia	464-469	264-267
Krugerrand	450-453	256-258
1/2 Krug	238-247	135¾-140½
1/4 Krug	118-126	67-71¾
Angel	465-470	264½-267¾
1/10 Angel	47-52	26¾-29½
New Sov.	106¼-107¼	60½-61¼
Old Sov.	106¼-107¾	60½-61½
Noble Plat	467½-473¼	267-270¼

Silver fix	p/fine oz	US cts equiv
Spot	370.90	653.50
3 months	378.85	664.50
6 months	387.45	676.15
12 months	405.65	701.65

LONDON METAL EXCHANGE TRADED OPTIONS

Aluminium (99.7%)	Calls		Puts	
Strike price $ tonne	Mar	May	Mar	May
1850	105	102	48	141
1950	56	67	98	205
2050	26	42	167	278
Aluminium (99.5%)	**Calls**		**Puts**	
1750	173	115	22	71
1850	105	69	54	123
1950	57	39	105	191
Copper (Grade A)	**Calls**		**Puts**	
1850	381	287	197	207
2000	308	204	274	292
2150	248	154	362	389

US MARKETS

Precious metals were quiet and dominated by local activity mirroring the fluctuating US dollar, reports Drexel Burnham Lambert. Copper suffered a sharp sell-off as trade selling and commission house long-liquidation, in response to reports showing an increase in stocks, touched-off stops. Crude oil was quiet with commission house selling met by trade buying of March against April. Sugar fell sharply as fund long-liquidation touched off commission house stops in the face of scale-down trade short-covering. Lack of physical offtake was again cited as a reason. Coffee continued firm on speculative and chart buying in the face of trade and producer price-fix selling. Cocoa eased on technical long-liquidation with modest industry offtake. Live cattle traded to limit-up on stabilisation of dressed beef prices and short-covering on the back of a possible storm in the Texas Panhandle. Live hogs were firm, partly in response to the cattle but also on a rise in cash prices. Pork bellies fell under the weight of heavy deliveries against the February contract. Wheat was firm in response to the announcement that the Soviet Union had been allocated US wheat under the subsidised programme.

New York

GOLD 100 troy oz.; $/troy oz.

	Close	Previous	High/Low	
Feb	454.1	454.2	455.5	450.0
Mar	455.6	455.7	451.5	451.5
Apr	458.4	458.5	459.2	454.2
Jun	463.2	463.2	464.2	458.7
Aug	468.2	468.1	468.0	464.5
Oct	473.5	473.3	473.1	470.3
Dec	478.8	478.5	479.7	474.5
Feb	484.4	484.0	484.0	481.0

PLATINUM 50 troy oz; $/troy oz.

	Close	Previous	High/Low	
Feb	457.9	454.9	0	0
Apr	460.9	457.9	463.0	456.0
Jul	465.9	462.9	467.5	462.0
Oct	471.7	468.8	472.6	468.0
Jan	478.2	475.3	475.5	475.5
Apr	485.2	492.3	0	0

SILVER 5,000 troy oz; cents/troy oz.

	Close	Previous	High/Low	
Feb	657.0	650.5	654.0	652.0
Mar	661.0	654.5	666.0	655.0
May	669.5	662.9	674.5	663.0
Jul	677.6	670.9	684.0	670.0
Sep	685.8	679.0	0	0
Dec	699.1	692.2	700.0	692.0
Jan	703.0	696.1	0	0
Mar	712.7	705.7	710.0	706.0
May	722.3	715.2	718.0	714.0

COPPER 25,000 lbs; cents/lbs

	Close	Previous	High/Low	
Feb	93.00	103.75	96.50	90.20
Mar	90.00	95.75	94.70	87.50
Apr	85.75	90.75	0	0
May	81.50	85.85	85.50	79.00
Jul	76.50	79.50	80.00	74.00
Sep	74.30	77.50	78.00	73.50
Dec	73.20	76.50	77.50	72.00
Jan	73.20	76.40	0	0
Mar	73.20	76.20	76.00	74.00
May	73.20	76.20	0	0

CRUDE OIL (Light) 42,000 US galls $/barrel

	Close	Previous	High/Low	
Mar	16.90	16.94	16.92	16.77
Apr	16.80	16.84	16.86	16.67
May	16.72	16.74	16.78	16.59
Jun	16.64	16.64	16.65	16.51
Jul	16.53	16.54	16.59	16.42
Aug	16.43	16.45	16.44	16.39
Sep	16.30	16.38	0	0
Oct	16.25	16.30	0	0
Nov	16.15	16.22	0	0

HEATING OIL 42,000 US galls, cents/US galls

	Close	Previous	High/Low	
Mar	46.60	47.19	47.00	46.30
Apr	45.50	45.78	45.85	45.20
May	44.50	44.70	44.60	44.20
Jun	44.10	44.30	44.10	43.85
Jul	44.25	44.40	44.25	44.00
Aug	44.80	45.00	44.80	44.78
Sep	45.75	45.75	45.75	45.50
Oct	46.50	46.45	46.50	46.40
Nov	47.50	47.15	47.50	47.00
Dec	48.50	47.85	48.50	48.50

COCOA 10 tonnes;$/tonnes

	Close	Previous	High/Low	
Mar	1745	1760	1759	1739
May	1777	1790	1791	1770
Jul	1800	1815	1807	1793
Sep	1832	1844	1836	1825
Dec	1863	1875	1870	1855
Mar	1893	1907	1902	1895
May	1925	1931	0	0

COFFEE "C" 37,500lbs; cents/lbs

	Close	Previous	High/Low	
Mar	133.38	131.55	133.40	131.55
May	136.10	134.29	136.25	134.40
Jul	138.02	136.45	138.10	136.90
Sep	139.93	138.45	139.95	138.30
Dec	142.25	141.25	142.00	141.60
Mar	143.25	143.25	0	0
May	144.50	144.50	0	0

SUGAR WORLD "11" 112,000 lbs; cents/lbs

	Close	Previous	High/Low	
Mar	8.94	9.64	9.74	8.70
May	8.91	9.45	9.51	4.40
Jul	8.80	9.30	9.39	8.90
Oct	8.81	9.31	9.38	8.81
Jan	8.89	9.39	0	0
Mar	9.06	9.56	9.42	9.06
May	9.00	9.50	9.50	9.30

COTTON 50,000; cents/lbs

	Close	Previous	High/Low	
Mar	62.08	61.85	62.30	61.51
May	62.85	62.41	63.10	62.30
Jul	63.20	62.60	63.40	62.80
Oct	62.75	62.35	63.00	62.30
Dec	61.89	61.55	62.00	61.47
Mar	62.95	62.60	62.65	62.55
May	63.30	63.05	0	0

ORANGE JUICE 15,000 lbs; cents/lbs

	Close	Previous	High/Low	
Mar	167.60	167.45	168.75	166.60
May	166.95	166.65	167.50	165.25
Jul	166.00	168.20	166.50	164.25
Sep	164.00	164.40	165.00	163.00
Nov	163.75	193.25	163.80	162.50
Jan	161.25	162.60	161.50	161.50
Mar	161.25	162.60	0	0

INDICES

REUTERS (Base: September 18 1931 = 100)

Jan 29	Jan 28	mnth ago	yr ago
1736.6	1735.4	1746.0	1603.7

DOW JONES (Base: December 31 1974 = 100)

Spot	130.70	132.24	134.44	115.01
Futures	131.86	133.38	135.29	118.22

Chicago

SOYABEANS 5,000 bu min; cents/60lb bushel

	Close	Previous	High/Low	
Mar	608/2	609/4	612/0	604/4
May	617/0	618/4	621/2	613/4
Jul	626/2	625/4	629/4	620/4
Aug	628/0	628/4	631/0	623/0
Sep	625/0	624/0	629/0	621/0
Nov	633/4	630/4	637/0	626/0
Jan	641/0	638/0	645/0	635/0
Mar	649/0	646/0	652/0	643/0
May	654/0	651/0	0	0

SOYABEAN OIL 60,000 lbs; cents/lb

	Close	Previous	High/Low	
Mar	21.09	21.04	21.15	20.80
May	21.39	21.33	21.46	21.12
Jul	21.60	21.55	21.58	21.33
Aug	21.68	21.65	21.75	21.45
Sep	21.70	21.65	21.80	21.50
Oct	21.70	21.63	21.75	21.55
Dec	21.85	21.75	21.85	21.59
Jan	21.85	21.75	21.80	21.90

SOYABEAN MEAL 100 tons; $/ton

	Close	Previous	High/Low	
Mar	179.2	178.2	180.1	177.5
May	178.7	178.1	179.3	177.2
Jul	179.6	178.3	180.5	177.0
Aug	181.0	179.0	181.5	177.4
Sep	182.5	180.7	182.5	178.5
Oct	183.0	180.7	183.0	180.5
Dec	184.1	181.7	184.9	182.0
Jan	185.2	182.5	186.0	185.5

MAIZE 5,000 bu min; cents/56lb bushel

	Close	Previous	High/Low	
Mar	197/6	196/6	198/2	155/4
May	203/6	202/4	204/2	201/0
Jul	206/6	205/4	207/2	204/0
Sep	208/4	205/4	209/6	205/4
Dec	210/4	207/4	211/4	207/0
Mar	217/4	214/4	218/2	214/0
May	221/4	218/4	222/0	218/6

WHEAT 5,000 bu min; cents/60lb-bushel

	Close	Previous	High/Low	
Mar	329/2	326/0	329/6	325/0
May	328/0	327/0	329/0	325/0
Jul	316/4	312/4	317/4	313/4
Sep	319/4	315/4	320/4	317/0
Dec	330/0	328/0	330/0	326/6
Mar	333/0	329/0	0	0

LIVE CATTLE 40,000 lbs; cents/lbs

	Close	Previous	High/Low	
Feb	68.62	67.65	68.77	67.37
Apr	69.30	67.80	69.30	67.55
Jun	68.35	66.85	68.35	66.70
Aug	65.62	64.32	65.80	64.15
Oct	64.60	63.32	64.80	63.32
Dec	65.30	64.10	65.50	64.25

LIVE HOGS 30,000 lb; cents/lbs

	Close	Previous	High/Low	
Feb	47.75	47.27	47.87	47.10
Apr	44.80	44.15	45.00	43.95
Jun	47.67	46.95	48.00	46.80
Jul	47.82	47.20	47.85	46.92
Aug	46.20	45.55	46.42	45.50
Oct	42.30	41.80	42.30	41.75
Dec	42.72	42.40	42.75	42.40
Feb.	42.10	41.87	42.10	0

PORK BELLIES 38,000 lbs; cents/lb

	Close	Previous	High/Low	
Feb	53.17	53.95	54.35	52.95
Mar	54.02	54.40	55.15	53.55
May	55.35	55.75	56.35	54.50
Jul	56.62	56.10	56.50	56.00
Aug	54.50	55.00	55.30	54.00

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CURRENCIES, MONEY AND CAPITAL MARKETS

FOREIGN EXCHANGES

Sterling bears caught offside

WITH MOST of the early play concentrating in the dollar's half, foreign exchange traders were ill prepared for the Bank of England's surprise decision to signal a rise in base rates yesterday. Consequently, as the day progressed, sterling stole the limelight and many dealers who had started the day with short positions in sterling, finished in something of a daze.

Mr Robin Leigh-Pemberton's warning last week about a build up of inflationary pressure, fitted in nicely (albeit with hindsight) with the Bank of England's well publicised discomfort over a base rate level of 8½ p.c. So the consequent scramble saw sterling erase earlier losses and finish towards the day's highs.

Its exchange rate index progressed from an opening low of 74.0 to touch a peak of 74.3 in the afternoon, before closing at 74.2, compared with 74.3 on Friday. It was weaker against a strong dollar, finishing at $1.7585 from $1.7700 but rose against the D-Mark to DM2.9750 from DM2.9700 and Y227.50 compared with Y226.25. Elsewhere it improved to FFr10.0275 from FFr10.0100 and SFr2.4300 against SFr2.4200.

The dollar opened at a much higher level in London, having broken out of its recent trading range in Middle East markets, not normally regarded as innovators of market trends. Active interest in US Treasury bonds and this week's US refunding package, starting today with a 3-year note auction, provided much of the demand.

Dealers were less committed about the effects of a withdrawal of trade privileges for countries such as Taiwan and South Korea, exporting to the US. Immediate reaction suggested that the US trade deficit would be favourably influenced but closer analysis showed that the sort of goods affected were of a type where there was no immediate domestic substitute. For this reason Japanese exports seemed more likely to benefit.

So after all the early huffing and puffing, the dollar ended the day little changed from its higher opening.

For the time being there was little concern about the part likely to be played by central banks. However Mr Mark Cliffe, economist at Nomura Research Institute, agreed that the central banks were clearly opposed to the dollar rising too far, and that US authorities appeared willing to trade dollar strength for lower interest rates.

The dollar closed at DM1.6915 up from DM1.6775 and Y129.35 compared with Y127.75. Elsewhere it finished at SFr1.3815 from SFr1.3670 and FFr5.7025 compared with FFr5.6550. On Bank of England figures, the dollar's exchange rate index rose from 93.9 to 95.1.

D-MARK-Trading range against the dollar in 1987/88 is 1.9305 to 1.5740. January average 1.6547. Exchange rate index 149.2 against 146.2 six months ago.

A desire to participate in this week's US Treasury auctions outweighed any natural desire to sell the US unit. Technical factors were sufficient to keep the dollar close to its opening levels, closing at DM1.6930, the same as the opening but up from DM1.6760 on Friday. Traders suggested that recent dollar strength was slowly changing the views of many investors, who now saw an increased chance of some upward gains in the dollar's value.

JAPANESE YEN-Trading range against the dollar in 1987/88 is 159.45 to 121.35. January average 127.77. Exchange rate index 238.7 against 214.8 six months ago.

Demand for the dollar was strong in Tokyo. However some traders were still unsure about how long this could be sustained. Central banks have already pledged not to let the dollar appreciate too much, and the completion of this week's Treasury refunding programme may remove some of the dollar's attraction.

The dollar closed at Y129.0 up from Y128.05 in New York on Friday.

£ IN NEW YORK

Feb.1	Latest	Previous Close
£ Spot	1.7600-1.7610	1.7655-1.7665
1 month	0.32-0.28pm	0.24-0.22pm
3 months	0.93-0.88pm	0.80-0.77pm
12 months	3.55-3.45pm	3.20-3.10pm

Forward premiums and discounts apply to the US dollar

STERLING INDEX

CURRENCY RATES

CURRENCY MOVEMENTS

OTHER CURRENCIES

EMS EUROPEAN CURRENCY UNIT RATES

	Ecu central rates	Currency amounts against Ecu Feb.1	% change from central rate	% change adjusted for divergence	Divergence limit %
Belgian Franc	42.4582	43.1553	n/a	n/a	±1.5344
Danish Krone	7.85212	7.90744	n/a	n/a	±1.5404
German D-Mark	2.05853	2.06618	n/a	n/a	±1.0981
French Franc	6.90403	6.96355	n/a	n/a	±1.3674
Dutch Guilder	2.31943	2.32012	n/a	n/a	±1.5012
Irish Punt	0.768411	0.776607	n/a	n/a	±1.6684
Italian Lira	1483.58	1520.72	n/a	n/a	±4.0752

Changes are for Ecu, therefore positive change denotes a weak currency
Adjustment calculated by Financial Times.

POUND SPOT- FORWARD AGAINST THE POUND

February 1	Day's spread	Close	One month	% p.a.	Three months	% p.a.
US	1.7490-1.7625	1.7580-1.7590	0.30-0.27cpm	1.94	0.91-0.86pm	2.01
Canada	2.2325-2.2450	2.2410-2.2420	0.05dis-0.03pm	-0.21	0.15-0.02pm	-0.15
Netherlands	3.32½-3.34½	3.33½-3.34½	1⅛-1cpm	4.27	4⅛-3⅞pm	4.57
Belgium	61.81-62.25	62.10-62.20	20-2cpm	2.12	48-28pm	2.45
Denmark	11.33¾-11.40½	11.38½-11.39½	⅞pm-1oredis	-0.99	⅞pm-1⅛dis	-0.33
Ireland	1.1125-1.1190	1.1170-1.1180	0.03pm-0.10dis	-0.70	0.13pm-0.01dis	0.25
W. Germany	2.96½-2.98	2.97-2.98	1½-1⅛pfpm	5.04	4¼-3⅞pm	5.29
Portugal	241.88-243.75	242.71-243.73	100-164cdis	-6.51	282-401dis	-5.62
Spain	200.72-201.70	201.23-201.70	53-79cdis	-3.93	160-200dis	-3.57
Italy	2179½-2190¼	2188½-2189½	5-parlirepm	1.37	11-5pm	1.46
Norway	11.20-11.27½	11.25-11.26	4-5⅞oredis	-5.00	14¼-16dis	-5.38
France	9.98½-10.03½	10.02¾-10.03¾	1¼-½cpm	0.82	2⅞-1pm	0.67
Sweden	10.62¾-10.67¼	10.66-10.67	½-1¼oredis	-0.98	1-2½dis	-0.66
Japan	226¼-228	227-228	1¼-1⅛ypm	4.29	2⅞-2¼pm	4.51
Austria	20.84-20.93	20.90-20.93	7⅛-6gropm	3.76	22½-20pm	4.06
Switzerland	2.41¾-2.43½	2.42½-2.43½	1⅝-1⅛cpm	6.79	4⅛-3¾pm	6.69

Belgian rate is convertible francs. Financial franc 62.20-62.30. Six-month forward dollar 1.86-1.81cpm 12 month 3.55-3.45pm

DOLLAR SPOT- FORWARD AGAINST THE DOLLAR

February 1	Day's spread	Close	One month	% p.a.	Three months	% p.a.
UK†	1.7490-1.7625	1.7580-1.7590	0.30-0.27cpm	1.94	0.91-0.86pm	2.01
Ireland†	1.5685-1.5740	1.5720-1.5730	0.16-0.11cpm	1.03	0.53-0.43pm	1.22
Canada	1.2740-1.2780	1.2740-1.2750	0.19-0.22cdis	-1.93	0.55-0.58dis	-1.77
Netherlands	1.8955-1.9040	1.8990-1.9000	0.42-0.40cpm	2.59	1.30-1.27pm	2.71
Belgium	35.27-35.38	35.30-35.40	3dis-par	-0.51	7-2pm	0.51
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

† UK and Ireland are quoted in US currency. Forward premiums and discounts apply to the US dollar and not to the individual currency. Belgian rate is for convertible francs. Financial franc 35.35-35.45.

EURO-CURRENCY INTEREST RATES

EXCHANGE CROSS RATES

MONEY MARKETS

Bank base rates 9%

THERE WAS general surprise in the City at the timing of the Bank of England's move to push UK bank base rates.

In the late afternoon Barclays Bank led the move among the commercial banks by increasing its base rate to 9 p.c. from 8½ p.c. This was soon followed by Citibank, and then National Westminster Bank, in the first general rise of only ½ p.c. in rates since 1984.

Although the City was obviously surprised that rates were increased, Mr Stephen Hannah, economist at County NatWest, said the Bank of England had chosen a quite time, as far as economic news is concerned, to prove that it is in the driving seat on the subject of interest rates.

UK clearing bank base lending rate 9 per cent from February 2

Mr David Owen, UK economist at Kleinwort Grieveson Securities, said he believed economic indicators are worrying the Chancellor, and that higher interest rates will give a better environment for tax cuts in the Budget.

As a result of the Bank of England's decision three-month interbank rose to 9¼-9⅛ p.c. from 8¾-8⅝ p.c. The yield curve remained positive, with one-year money climbing to 9⅝-9½ p.c. from 9⅛-9 p.c.

The Bank of England initially forecast a money market shortage of £200m, but revised this to £250m at noon. Total help of £296m was provided.

The authorities did not operate in the market before lunch, but offered to lend discount houses money later in the day, at a rate of 9 p.c., compared with the previous bill dealing rate of 8⅝ p.c.

In the afternoon the Bank of England bought £31m bank bills in band 1 at 8⅝ p.c. The central bank also lent £265m to the market at 9 p.c.

Bills maturing in official hands, repayment of late assistance and a take-up of Treasury bills drained £494m, with exchequer transactions absorbing £20m, and bank balances below target £45m. These outweighed a fall in the note circulation adding £380m to liquidity.

In Frankfurt call money rose to 3.25 p.c. from 3.125 p.c. as banks bid for funds to build up reserve holdings at the Bundesbank at the beginning of the month. Banks also ran a high level of reserves at the central bank early in January, in order to comfortably meet minimum requirements later on.

In Paris the Bank of France left its money market intervention rate at 7¼ p.c. at yesterday's securities repurchase tender.

FT LONDON INTERBANK FIXING

MONEY RATES

LONDON MONEY RATES

FINANCIAL FUTURES

Surprise at timing of rate rise

INCREASES IN UK bank base rates nearly always take the financial markets by surprise, according to Mr Nick Parsons, at Union Discount, while cuts in rates are generally the result of market pressure.

This was certainly true yesterday, when the markets were taken completely by surprise by the Bank of England's decision to increase its intervention rate, and thus signal to the clearing banks that base rates should be lifted to 9 p.c. from 8½ p.c.

March long term gilt futures opened firmer at 121-20 on Liffe, but fell sharply to 119-16 when the authorities announced it had raised its money market dealing rate. The contract recovered to close at 120-05, but still below Friday's finish of 120-30.

Mr Parsons added it was a sign of the determination of the authorities to assert leadership over the markets, and that with this move the Bank of England had "gained a lot of prestige".

He pointed out that Mr Robin Leigh-Pemberton, Governor of the Bank of England, has warned more than once that interest rates might have to rise for domestic reasons, and that if the market chose to ignore this, its arguments were built on sand.

Ms Evelyn Brodie, senior UK economist, at Morgan Grenfell, suggested the authorities remain worried about overheating in the UK economy, and that the present move could be taken without fear of damaging the dollar, or risk pushing sterling through DM3.00 against the D-Mark.

The dollar has been much stronger of late, and there is every indication that this week's programme of US Treasury auctions will be a success.

March US Treasury bonds opened at 95-16 on Liffe, but this was the day's peak. The contract closed at 94-19, against 93-17 previously.

LIFFE LONG GILT FUTURES OPTIONS

Strike Price	Calls-settlements Mar	Calls-settlements Jun	Puts-settlements Mar	Puts-settlements Jun
116	4.21	5.16	0.11	1.10
118	2.40	3.58	0.30	1.52
120	1.20	2.51	1.10	2.45
122	0.32	1.61	2.22	3.55
124	0.04	0.50	4.01	5.11
126	0.04	0.50	5.58	6.44
128	0.02	0.30	7.56	8.24
130	0.00	0.17	9.54	10.11

Estimated volume total, Calls 6282 Puts 4284
Previous day's open int: Calls 43139 Puts 26121

LIFFE US TREASURY BOND FUTURES OPTIONS

Strike Price	Calls-settlements Mar	Calls-settlements Jun	Puts-settlements Mar	Puts-settlements Jun
82	12.38	11.47	0.00	0.07
84	10.38	9.55	0.00	0.15
86	8.40	8.06	0.02	0.30
88	6.45	6.29	0.07	0.53
90	4.53	4.63	0.15	1.23
92	3.04	3.46	0.30	2.06
94	1.38	2.44	1.00	3.04
96	0.45	1.56	2.07	4.16

Estimated volume total, Calls 268 Puts 14
Previous day's open int: Calls 1403 Puts 1311

LIFFE FT-SE 100 INDEX FUTURES OPTIONS

Strike Price	Calls-settlements Feb	Calls-settlements Mar	Puts-settlements Feb	Puts-settlements Mar
16000	16.45	17.57	0.25	1.37
16500	11.94	13.65	0.74	2.45
17000	8.01	10.24	1.81	4.04
17500	4.89	7.40	3.69	6.20
18000	2.69	5.15	6.49	8.95
18500	1.32	3.44	10.12	12.24
19000	0.58	2.21	14.38	16.01
19500	0.22	1.37	19.02	20.17

Estimated volume total, Calls 0 Puts 6
Previous day's open int: Calls 12 Puts 81

LIFFE £/$ OPTIONS

LONDON SE £/$ OPTIONS

PHILADELPHIA SE £/$ OPTIONS

LIFFE- EURODOLLAR OPTIONS

LONDON

20-YEAR 12% NOTIONAL GILT

7-10 YEAR 9% NOTIONAL GILT

6% NOTIONAL LONG TERM JAPANESE GOVT. BOND

THREE MONTH STERLING

FT-SE 100 INDEX

THREE MONTH EURODOLLAR

U.S. TREASURY BONDS

CURRENCY FUTURES

CHICAGO

U.S. TREASURY BONDS (CBT) 8%

U.S. TREASURY BILLS (IMM)

CERT. DEPOSIT (IMM)

THREE-MONTH EURODOLLAR (IMM)

JAPANESE YEN (IMM)

DEUTSCHE MARK (IMM)

SWISS FRANC (IMM)

SFr 125,000 $ per SFr

	Latest	High	Low	Prev.
Mar	0.7285	0.7297	0.7267	0.7346
Jun	0.7364	0.7373	0.7345	0.7426
Sep	0.7448	0.7448	0.7426	0.7505
Dec	0.7550	0.7550	0.7550	0.7591

STANDARD & POORS 500 INDEX

$500 times index

	Latest	High	Low	Prev.
Mar	257.65	259.10	256.80	257.00
Jun	258.95	260.60	258.30	254.40
Sep	260.30	261.80	260.00	260.10

Company Notices

M.L. HOLDINGS p.l.c.

7% Redeemable Preference Shares of £1

NOTICE IS HEREBY GIVEN that the Transfer Books and Registers of Members will be CLOSED 19th February 1988 only.

By Order of the Board
S.M. Sandford (Mrs)
Assistant Group Secretary

£ WORLD VALUE OF THE POUND

The table below gives the latest available rate of exchange for the pound against various currencies on Monday, February 1, 1988. In some cases the rate is nominal. Market rates are the average of buying and selling rates except where they are shown to be otherwise. In some cases market rates have been calculated from those of foreign currencies to which they are tied.

Abbreviations: (A) approximate rate, no direct quotation available; (F) free rate; (P) based on US dollar parities and going sterling-dollar rates; (T) tourist rate; (Bas) basic rate; (bg) buying rate; (Bk) bankers rate; (cm) commercial rate; (ch) convertible rate; (fn) financial rate; (exC) exchange certificate rate; (nc) non commercial rate; (nom) nominal; (o) official rate; (sg) selling rate; (c) controlled rate.

COUNTRY	CURRENCY	VALUE OF £ STERLING	COUNTRY	CURRENCY	VALUE OF £ STERLING	COUNTRY	CURRENCY	VALUE OF £ STERLING
Afghanistan	Afghani	99.25	Gibraltar	Gibraltar £	1.00	Paraguay	Guarani	(562.24 (1572.51
Albania	Lek	9.9671	Greece	Drachma	236.35			
Algeria	Dinar	9.0013	Greenland	Danish Krone	11.3900			57.98
Andorra	French Franc / Spanish Peseta	10.0275 / 201.465	Grenada	E. Caribbean $	4.74	Peru	Inti	(73.79 (79.06 110.97
Angola	Kwanza	53.9260	Guadeloupe	Local Franc	10.0275			
Antigua	E. Carribean$	4.74	Guam	U.S. $	1.7585			
Argentina	Austral	9.6844	Guatemala	Quetzal	1.7585 / (f)4.4946			
Aruba	Florin	3.1653	Guinea	Franc	526.35	Philippines	Peso	35.60
Australia	Australian$	2.4770	Guinea-Bissau	Peso	1140.43	Pitcairn Islands	£ Sterling	1.00
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

LONDON RECENT ISSUES

Series		Feb. 88 Vol	Feb. 88 Last	May 88 Vol	May 88 Last	Aug. 88 Vol	Aug. 88 Last	Stock
GOLD C	$460	202	5	119	17.50	11	31	$451.40
GOLD C	$480	22	1.20	25	10 A	-	-	$451.40
GOLD C	$500	22	0.50	14	5.30	-	-	$451.40
GOLD C	$520	25	0.50	-	-	51	10.50 A	$451.40
GOLD P	$400	100	0.50	-	-	-	-	$451.40
GOLD P	$420	10	1	133	5.50	132	7	$451.40
GOLD P	$440	123	3.50	10	8.70	3	12	$451.40
GOLD P	$460	139	10.50 A	398	18	3	18.50	$451.40
GOLD P	$480	149	28	203	29	3	31	$451.40
GOLD P	$500	162	46	1	47	5	48 B	$451.40

		Feb. 88		Mch. 88		Apr. 88		
EOE Index C	Fl 155	16	24	-	-	-	-	Fl 178.60
EOE Index C	Fl 165	32	14 A	-	-	-	-	Fl 178.60
EOE Index C	Fl 170	48	10 A	-	-	-	-	Fl 178.60
EOE Index C	Fl 175	192	6	-	-	-	-	Fl 178.60
EOE Index C	Fl 180	251	3.20	2	7	14	8.80 B	Fl 178.60
EOE Index C	Fl 185	33	1.90	87	4.90	27	7.30	Fl 178.60
EOE Index P	Fl 165	15	1.20	18	3.20	-	-	Fl 178.60
EOE Index P	Fl 170	149	1.90	38	4.10	3	6	Fl 178.60
EOE Index P	Fl 175	28	3.30 B	176	6.90	4	8 A	Fl 178.60
EOE Index P	Fl 180	62	5.50	3	8.60	8	20	Fl 178.60
$/Fl C	Fl 190	63	2	-	-	2	3.50	Fl 190.13
$/Fl C	Fl 205	-	-	20	0.60	-	-	Fl 190.13
$/Fl P	Fl 180	-	-	2	0.70	43	1	Fl 190.13
$/Fl P	Fl 190	2	2.50 B	133	4.10	-	-	Fl 190.13

		Apr. 88		Jul. 88		Oct. 88		
ABN C	Fl. 40	446	1.10	75	1.80	6	2.50	Fl. 37.60
ABN P	Fl. 40	22	3.30	7	5.50	15	6	Fl. 37.60
AEGON C	Fl. 65	54	1.60	5	2.50	-	-	Fl. 59.60
AEGON P	Fl. 55	100	1	-	-	-	-	Fl. 59.60
AHOLD C	Fl. 75	398	2.50	20	4.50	-	-	Fl. 72.50
AHOLD P	Fl. 70	27	2	20	5.20	-	-	Fl. 72.50
AKZO C	Fl. 100	451	2.70	134	4.30	15	6.50	Fl. 90.70
AKZO P	Fl. 90	282	4.40 A	40	9.10	70	11 A	Fl. 90.70
AMEV C	Fl. 45	150	0.70	-	-	-	-	Fl. 39.10
AMRO C	Fl. 60	92	1.30	6	2.50	4	2.70	Fl. 57
AMRO P	Fl. 65	12	8.30	-	-	-	-	Fl. 57
ELSEVIER C	Fl. 50	210	1.50	114	2.70 A	10	4	Fl. 45.50
ELSEVIER P	Fl. 45	64	2.50	-	-	-	-	Fl. 45.50
GIST-BROC P	Fl. 27.50	4	2.70	104	3.60	-	-	Fl. 26.30
HEINEKEN P	Fl. 120	26	6.50	74	10	-	-	Fl. 119.50
KLM C	Fl. 30	192	1.80	144	3	2	3.80	Fl. 29.20
NEDLLOYD C	Fl. 200	142	7.20	100	13	-	-	Fl. 174
NAT.NED. P	Fl. 50	95	2	23	3.80	-	-	Fl. 50
PHILIPS C	Fl. 27.50	378	0.60	30	1.20	41	1.90	Fl. 25.20
PHILIPS P	Fl. 22.50	7	0.80	559	1.40	6	2	Fl. 25.20
ROYAL DUTCH C	Fl. 220	853	5.80	215	8	74	11.10	Fl. 216.80
ROYAL DUTCH P	Fl. 200	319	2.30	105	7	3	13	Fl. 216.80
ROBECO C	Fl. 80	50	6.50	-	-	-	-	Fl. 84.90
ROBECO P	Fl. 90	11	8	21	9	-	-	Fl. 84.90
UNILEVER C	Fl. 120	637	2.30	127	4.80	4	6.50	Fl. 110.10
UNILEVER P	Fl. 100	210	2.30 B	40	5.30	1	6.50	Fl. 110.10

TOTAL VOLUME IN CONTRACTS : 26,625

A=Ask B=Bid C=Call P=Put

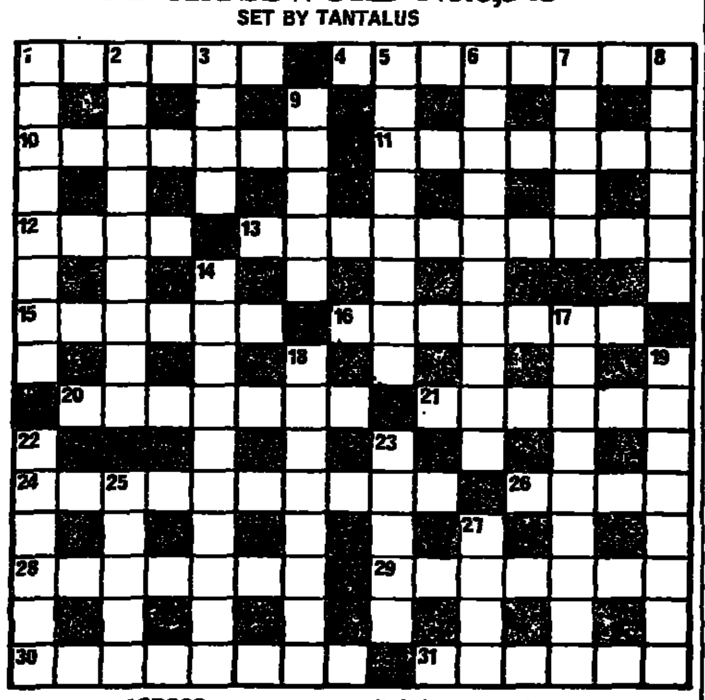
BASE LENDING RATES

	%		%		%
ABN Bank	8½	Citibank NA	9	Nat Bk. of Kuwait	9
Adam & Company	8½	City Merchants Bank	8½	NatWestminster	9
AAB - Allied Arab Bk	8½	Clydesdale Bank	8½	Northern Bank Ltd	8½
Allied Irish Bank	8½	Comm.Bk.N.East	8½	Norwich Gen. Trust	8½
American Exp.Bk	8½	Consolidated Cred	8½	PK Finans. Intl(UK)	9
Amro Bank	9	Co-operative Bank	*8½	Provincial Bank PLC	9½
Henry Ansbacher	8½	Cyprus Popular Bk	9	R. Raphael & Sons	8½
ANZ Banking Group	8½	Dunbar Bank PLC	8½	Roxburghe G'rantee	9½
Associates Cap Corp	10	Duncan Lawrie	8½	Royal Bk of Scotland	8½
Authority Bank	8½	Equatorial Bank plc	8½	Royal Trust Bank	8½
B & C Merchant Bank	9	Exeter Trust Ltd	9½	Smith & Williams Secs.	8½
Banco de Bilbao	8½	Financial & Gen. Sec	9	Standard Chartered	8½
Bank Hapoalim	8½	First Nat. Sec. Ltd.	9½	TSB	8½
Bank Leumi (UK)	8½	● Robert Fleming & Co.	8½	UDT Mortgage Exp	‡10.2
Bank Credit & Comm	8½	Robert Fraser & Ptnrs.	9½	United Bk of Kuwait	8½
Bank of Cyprus	8½	Girobank	8½	United Mizrahi Bank	8½
Bank of Ireland	8½	Grindlays Bank	8½	Unity Trust Bank Plc	8½
Bank of India	8½	● Guinness Mahon	8½	Western Trust	9
Bank of Scotland	8½	HFC Trust & Savings	9	Westpac Bank Corp.	8½
Banque Belge Ltd	8½	● Hambros Bank	8½	Whiteaway Laidlaw	9
Barclays Bank	9	Heritable & Gen Inv Bk	8½	Yorkshire Bank	8½
Benchmark Bank PLC	8½	● Hill Samuel	§8½		
Berliner Bank AG	8½	C. Hoare & Co.	8½		
Brit Bk of Mid East	8½	Hongkong & Shangh	8½		
● Brown Shipley	8½	Lloyds Bank	8½		
Business Mtge Tst	8½	Meghraj Bank Ltd	9		
CL Bank Nederland	8½	Midland Bank	9		
Central Capital	8½	● Morgan Grenfell	9		
● Charterhouse Bank	8½	Mount Banking Corp.	8½		

● Members of the Accepting Houses Committee. * 7 day deposits 3.50% Savewise 6.16%. Top Tier-£2,500+ at 3 months' notice 7.81%. At call when £10,000+ remains deposited. ‡ Mortgage base rate. § Demand deposit 3.49%. Mortgage 10% - 10.25%

FT CROSSWORD No.6,545

SET BY TANTALUS



ACROSS

1 Depart disguised with case containing explosive (6)
4 Genuine currency (8)
10 Unusual taste in material (7)
11 Discover unopened and fit to abide in (7)
12 It really annoyed native leaders in SW Asia (4)
13 Ancestor in favour of general going to riot disaster (10)
15 Be in gold to meet one of Charlemagne's paladins (6)
16 Paint applied thickly to map is mottled (7)
20 Don with 12 characters making a fire-dog (7)
21 Take in a little volume to distressed pet (6)
24 Crushing sorrow in Shaw's house (10)
26 Good man has a right to take the lead (4)
28 Step back to copse and find alburnum (7)
29 Record one part of act declared common to both sexes (7)
30 Ninety points indeed! – maybe went beyond the limit (8)
31 Card game before tea-party in 1773? (6)

DOWN

1 Greek god poisoned at sea (8)
2 New trait – empty container used in chemical process (9)
3 Tear about extremely non-plussed (4)
5 Object to girl – what's her name? (8)
6 Soviet and German behead woman for type of payment (10)
7 Sort of gas in liner Thomson discovered (5)
8 Young female with Swedish money in abundance (6)
9 Shop value (5)
14 Loiter about in anticipation of seeing cherry-pie (10)
17 Management behaviour (9)
18 Jail food (8)
19 Way to encourage swimmer (8)
22 Decent chap beginning to hurry (6)
23 Hammer donated to apprentice (5)
25 Like to choose cut jelly (5)
27 I'd go in – look at that swimming pool (4)

Solution to Puzzle No.6,544

STRAIN DISCOVER
ORBITS RAINDROP
TALENTED DEFEAT
DAIL ADVERTISED
CONCERNING FAIR
UPSHOT INDIGENT
PREVIOUS SUMMER
TELEGRAM DENNIS

FT UNIT TRUST INFORMATION SERVICE

AUTHORISED UNIT TRUSTS

[illegible]

FT UNIT TRUST INFORMATION SERVICE

Scimitar Asset Management Ltd
8 Crosby Sq, London EC3A 6AQ 01-588 6995/4/5

Scimitar Global Gth Ac	27.1	28.9	—	—
Do. Income	26.9	28.7	—	0.19
Scimitar European Acc	20.1	21.4	-0.2	—
Do. Income	20.1	21.4xd	-0.2	0.11
Scimitar UK Eq Inc Acc	35.9	37.8	-0.2	—
Do. Income	34.3	36.2	-0.2	9.58
UK Cap Gth Acc	23.0	24.3	-0.1	0.75
Scimitar Pen Equity Acc	27.6	29.4	+0.2	—
Scimitar Mangd Exempt*	136.8	142.4xd	-0.3	—

*Unauthorised

Scottish Equitable Fund Mgrs. Ltd(z)
28 St Andrews Sq, Edinburgh 031-556 1051

[illegible]	121.4	128.2	—	3.44
[illegible] Accum Units	185.7	197.6	—	3.44
UK General Acc	37.8	40.4	+0.2	3.38
UK General Inc	36.4	38.9	+0.2	3.38
American	26.7	28.6	+0.6	2.13
European	32.6	34.9	—	1.36
Japan	33.3	35.1	+0.3	0.03
Technology	34.0	36.4	+0.3	2.29
Performance Trusts				
Far East Perf Tst	17.0	18.2	-0.2	2.60
High Inc Perf Tst Inc	23.7	25.4	—	5.56
High Inc Perf Tst Acc	24.3	26.0	+0.1	5.56
Worldwide Inst Perf Tst	27.0	28.9	+0.1	2.71

Scottish Life Investments(z)
19 St Andrew Sq, Edinburgh 031-225 2211

[illegible] (UK Equity)	208.6	223.2	+1.9	2.61
[illegible] (American)	126.7	135.0	+2.6	1.42
Marco Polo (Pacific)	202.8	217.0	-1.1	0.35
Da Vinci (European)	204.0	218.2	+0.8	1.91
[illegible] (Worldwide)	50.3	53.8	+0.3	3.14

Scottish Mutual Investment Managers Ltd
109 St Vincent St, Glasgow G2 5HN 041-248 6100

UK Equity	200.4	213.2	—	2.65
UK Smlr. Cos. Equity	204.3	217.3	—	1.97

Trades Union Unit Trust Managers
100 Wood Street, London EC2 01-686 4355

TUUT Feb 1	213.5	224.8	-13.1	3.18

Triton Fd Mngrs. Ltd.
Royal Ldn. Hse. Colchester CO1 1RA 0206 764400

Triton General	145.3	154.0	—	1.60

Tyndall Unit Trust Managers Limited
25 Bucklersbury, London EC4N 248 3399

Gowerlaite & General	58.1	61.6xd	+0.2	6.43
Accum Units	59.2	62.8	+0.3	—
Income	80.0	84.8	+0.4	4.65
Accum Units	80.0	84.8	+0.4	—
Smaller Co's	86.5	91.7xd	+0.2	1.97
Accum Units	87.4	92.7	+0.2	—
UK Growth	87.9	93.2	+0.4	2.05
Accum Units	87.9	93.2	+0.4	—
Pacific Gold Tst Acc	47.2	50.0	—	—

UK Unit Trust Managers Ltd
Worthing Road, Horsham, RH12 1SL 0403 40033

British Growth Fd	54.6	58.1	—	2.58
Technical Analysis Fd	50.3	53.6	—	3.23

Unit Trust Account & Mgmt. Ltd
20 Copthall Ave, London, EC2R 7PA 01-588 6064
Advisers: Henderson Crosthwaite Ltd

Friars Hse Cap Fd	176.5	187.8	—	1.61
Friars Hse Inc Fd	151.1	159.0xd	—	3.80

United Charities Unit Trusts (a)(c)(g)
Unicorn Hse, 252 Romford Rd, E7 01-534 5544

United Charities	170.1	180.9	+1.0	4.40

Vanguard Trust Managers Ltd
65 Holborn Viaduct, London EC1A 2EU 01-236 3053
Dealing Line: 01-236 2468

[illegible]	175.1	186.3	—	—
(Accum Units)	178.5	189.9	—	1.72
Far East & Gen.	52.2	55.5	—	0.15
(Accum Units)	52.2	55.5	—	—
Mngr Portfolio	64.845	66.500xd	+0.342	3.04

INSURANCES

Continued on next page

FT UNIT TRUST INFORMATION SERVICE

Phoenix Assurance Co Ltd
Phoenix House, Redcliff Hill, Bristol 0272 294941

Life Assurance Funds				
Wealth Assur.	368.8	388.3	—	—
Eb'r Ph. Eq.	334.1	356.5	—	—
Pension Plan Funds				
Phoenix				
UK Equity Acc.	163.3	171.8	+1.4	—
International Acc.	123.5	129.9	+1.2	—
Property Acc.	123.0	129.4	+0.1	—
Fixed Interest Acc.	153.1	161.1	+0.9	—
Money Acc.	135.7	142.8	—	—
Bldg. Soc. Link Acc.	132.7	139.6	—	—
Special Mngd. Acc.	144.4	151.9	+1.2	—
Phoenix/Framlington				
Intnl. Growth Acc.	81.8	86.1	+0.8	—
Amer. & Gen. Acc.	75.1	79.0	+0.9	—
Capital Tst. Acc.	172.8	181.8	+0.9	—
Japan & Gen Acc.	172.4	181.4	+1.4	—
American Turn. Acc.	74.7	78.6	+0.5	—
Recovery Tst. Acc.	160.5	168.9	+1.3	—
Special Mngd Acc.	136.8	143.9	+0.8	—
Phoenix/GT				
International Acc.	119.8	126.1	+0.7	—
US & General Acc.	87.8	92.4	+0.7	—
Amer Spec Sits Acc.	60.4	63.5	+0.7	—
Japan & General Acc.	163.4	172.0	-0.1	—
Far East & Gen. Acc.	134.2	141.2	+0.7	—
UK Capital Acc.	170.4	179.3	+1.9	—
European Acc.	126.5	133.1	-0.6	—
Special Mngd. Acc.	121.8	128.2	+0.7	—

Pioneer Mutual Insurance Co Ltd
16 Crosby Rd, N. Waterloo, Liverpool 051-928 6655

Managed Fund	265.1	279.1	—	—
Max Pens Inc & Cap Fds	339.7	357.6	—	—
Money Fund	111.0	116.9	—	—
Pens Mngd Fd (Init)	83.7	88.2	—	—
Pens Mngd Fd (Acc)	93.6	98.6	—	—
Pens F730 Fd (Init)	126.9	133.6	—	—
Pens F730 Fd (Acc)	141.8	149.3	—	—
Pens D'yms MgFd(Init)	52.8	55.6	—	—
Pens D'yms MgFd(Acc)	59.1	62.3	—	—
Pens Fxd Int Fd (Init)	106.8	112.5	—	—

Prudential Assurance Co
Holborn Bars, London EC1N 2NH 01-405 9222

Profund				
Managed Jan 27	193.5	201.6	—	

Prudential Holborn Life Ltd
30 Old Burlington St, London W1X 1LB 01-439 3134

Managed Fd.	430.9	453.6	+3.1
Equity Fd.	882.8	929.3	+7.8
Intnl. Fd.	296.5	312.2	+2.8
Fixed Int. Fd.	361.9	381.0	+0.8
Prop. Fd.	302.8	318.8	+0.1
Cash Fd.	233.2	245.5	+0.1
Pacific Basin Fd.	161.6	170.2	+0.1
North American Fd.	119.1	125.4	+2.4
European Fd.	126.4	133.1	+0.3
Holborn Balanced Gwth Fd	95.0	100.0	—
Holborn Strategic Gwth Fd	95.0	100.0	—

Prudential Holborn Pensions Ltd
30 Old Burlington St, London W1X 1LB 01-439 3134

Managed	455.8	479.8	+1.7
Equity	655.9	690.5	+5.4
Global Equity	184.6	194.4	+1.4
Fixed Interest	369.4	388.9	+0.6
Property	302.1	318.0	—
Cash	137.4	144.7	+0.1
Index Linked Gilt	158.6	167.1	+0.2
Guaranteed	8.59	9.25	—
International Money	188.1	198.1	-0.2
North American Fd	53.1	55.9	+0.6
Japanese Fund	114.0	120.0	-0.4
European Fund	68.4	72.1	+0.4
Special Situations Fd	95.2	100.2	+0.9
Communications Fund	76.3	80.4	+0.6
Smaller Cos Fund	97.2	102.4	+0.7

Prudential Pensions Limited

MANAGEMENT SERVICES

OFFSHORE AND OVERSEAS

هكذا من الاصل

FT UNIT TRUST INFORMATION SERVICE

LONDON SHARE SERVICE

BRITISH FUNDS

1987/88 High	Low	Stock	Price £	+ or –	Yield Int.	Red.
		"Shorts" (Lives up to Five Years)				
102¼	99⅝	Exch 10½pc '88	100⅛	–⅛	10.47	9.14
101⅞	98⅝	Treas 9¾pc Cv '88	100⅛	–⅛	9.73	9.06
98⅞	93⅞	Transport 3pc '78–88	98⅞	–⅛	3.05	6.74
101⅝	98⅛	Treas. 9½pc '88	100⅛	–⅛	9.48	9.15
105⅞	101⅛	Treas 11½pc 1989	102⅞xd	–⅛	11.24	9.14
102⅛	97⅞	Treas 9½pc Cnv 1989	100⅛	–⅛	9.47	9.19
96⅛	89⅛	Treas 3pc 1989	95⅞	–⅛	3.13	6.51
104⅛	99⅞	Treas 10½pc 1989	101⅞	–⅛	10.35	9.35
103⅛	98⅛	Exch.10pc 1989	100⅞	–⅛	9.91	9.37
105⅞	100⅛	Exch 11pc 1989	102⅞	–⅛	10.74	9.38
96⅛	89⅞	Treas 5pc 1986–89	95⅞	–⅛	5.22	7.60
108⅛	99⅞	Exch 10¼pcCv '89	103⅛	–⅛	9.92	8.19
111⅞	104⅞	Treas 13pc 1990‡‡	106⅞	–⅛	12.21	9.29
106½	100⅞	Exch 11pc 1990‡‡	102⅞xd	–⅛	10.68	9.35
110⅞	103⅞	Exch. 12¼pc 1990	105⅞	–⅛	11.81	9.39
92⅞	84½	Treas. 3pc 1990	91⅞	–⅛	3.27	6.94
100⅞	93⅞	Treas 8¼pc 1987–90‡‡	98⅞	+⅛	8.32	8.62
100⅝	98	Treas. 8pc Cv 1990	99½	–⅛		
105	97½	Treas. 10pcCv 1990	101⅞	–⅛	9.86	9.37
91⅞	81⅞	Exch 2½pc 1990	89⅞	–⅛	2.80	6.77
110½	102⅞	Treas 11¾pc 1991	106⅛	–⅛	11.08	9.32
95⅞	87⅛	Funding 5¾pc '87–91‡‡	93⅞	–⅛	6.17	8.20
90⅞	80⅛	Treas. 3pc 1991	88⅞	–⅛	3.39	6.99
110⅞	98½	Treas 10pc Cv '91 ‡‡	103⅞	–⅛	9.64	8.70
109⅞	101⅞	Exch. 11pc 1991	105⅞	–⅛	10.45	9.28
99	91⅞	Treas. 8pc 1991	96⅛	–⅛	8.32	9.20
116⅞	107⅞	Treas 12¾pc 1992‡‡	111⅞	–⅛	11.46	9.29
106⅞	97⅞	Treas 10pc 1992	102⅞xd	–⅛	9.76	9.26
99½	90⅞	Treas. 8pc 1992 ‡‡	95⅞	–⅛	8.35	9.21
108⅞	99½	Treas 10½pc Cv 1992‡‡	104⅞	–⅛	10.08	9.28
86⅞	79⅞	Treas. 3pc 1992	84½	–⅛	3.56	7.26
115⅞	105⅞	Exch. 12¼pc '92	110⅞xd	–⅛	11.07	9.34
121⅞	110⅞	Exch 13½pc 1992	115⅞	–⅛	11.72	9.37
		Five to Fifteen Years				
107⅞	97⅞	Treas 10pc 1993‡‡	102⅞	–⅛	9.74	9.33
118⅞	107½	Treas 12½pc 1993‡‡	112⅞	–⅛	11.06	9.39
95⅞	82⅛	Funding 6pc 1993‡‡	90⅞	+⅛	6.64	8.17
125⅞	113⅛	Treas 13¾pc 1993‡‡	118⅞	–⅛	11.59	9.47
129⅞	117½	Treas 14½pc 1994‡‡	123⅞xd	–⅛	11.78	9.42
124⅞	112⅞	Exch 13½pc 1994	118⅛	–⅛	11.43	9.56
107⅞	97⅞	Treas. 10pc Ln. 1994‡‡	102⅞	–⅛	9.72	9.37
120⅞	106⅞	Exch. 12½pc 1994	114⅛xd	–⅛	10.96	9.56
103⅛	92⅞	Treas 9pc 1994‡‡	98⅞	–⅛	9.12	9.25
118⅛	105⅞	Treas 12pc 1995	112⅛	–⅛	10.71	9.58
84⅛	76	Exch 3pc Gas 90–95	82½	+⅛	3.64	6.01
109⅞	97⅛	Exch. 10¼pc 1995	103⅞	–⅛	9.86	9.50
123⅞	110⅞	Treas 12¾pc 1995‡‡	117⅛	–⅛	10.89	9.57
130⅞	116⅛	Treas. 14pc '96	123⅛	–⅛	11.36	9.73
102⅞	92	Treas.9pc 1992–96‡‡	98⅞	–⅛	4.15	9.29
139⅞	123⅞	Treas 15¼pc 1996‡‡	130⅞	–⅛	11.65	9.71
127⅞	113⅞	Exch 13¼pc 1996‡‡	120⅛	–⅛	11.01	9.62
89⅞	81⅛	Redemption 3pc 1986–96	85⅛	–⅛	3.52	5.13
108⅞	95⅞	Conversion 10pc 1996	102⅞	–⅛	9.76	9.56
128⅞	113⅛	Treas 13¼pc 1997‡‡	121⅞	–⅛	10.94	9.66
111⅞	98⅛	Exch 10½pc 1997	105⅛xd	–⅛	9.97	9.60
101⅞	88⅞	Treas 8¾pc 1997‡‡	95⅞xd	–⅛	9.14	9.44
46⅞	42⅛	Tr 8¾pc Ln "C" 1997 (50pdle	45⅛	–½	9.14	9.44
140⅞	123⅞	Exch 15pc 1997	131⅞	–⅛	11.38	9.85
106⅞	93⅞	Exch. 9¾pc 1998	101⅞	–⅛	9.66	9.59
88⅞	78	Treas 6¾pc 1995–98‡‡	84⅞	–⅛	8.01	9.13
145⅞	128⅛	Treas. 15½pc '98‡‡	137⅞	–⅛	11.31	9.81
122⅞	107⅞	Exch. 12pc 1998	115⅞	–⅛	10.42	9.69
106⅞	92⅞	Treas 9½pc 1999‡‡	100⅞	–⅛	9.46	9.42
124⅞	109⅞	Exch. 12¼pc 1999	117⅞	–⅛	10.46	9.69
113	98⅛	Treas. 10½pc 1999	106⅞	–⅛	9.88	9.57
111⅞	96⅞	Conversion 10¼pc 1999	104⅞	–⅛	9.79	9.56
100⅛	86⅞	Treas. 8½pc Ln 2000‡‡	93⅞	–⅛	9.07	9.38
103⅞	89½	Conversion 9pc 2000‡‡	97⅞xd	–⅛	9.29	9.41
131⅛	114⅞	Treas. 13pc 2000	123⅞	–⅛	10.54	9.72
110⅞	95⅞	Treas 10pc 2001	103⅞xd	–½	9.66	9.52
134⅞	118⅞	Treas. 14pc '98–01	126⅞	–½	11.06	9.83
108⅞	93⅞	Conversion 9¾pc 2001	102⅞xd	–⅛	9.57	9.49
122⅝	107	Exch. 12pc '99–02	115⅞	–⅛	10.43	9.72

BRITISH FUNDS – Contd

1987/88 High	Low	Stock	Price £	+ or –	Yield Int.	Red.
134⅞	116⅞	Exch. 12pc '13–'17	126⅞	–⅞	9.51	9.30
		Undated				
45⅞	39⅞	Consols 4pc	43⅛	–⅛	9.21	–
41⅞	34⅞	War Loan 3½pc‡‡	38⅝	–⅛	9.06	–
52⅞	46⅛	Conv. 3½pc '61 Aft.	50⅝	–⅛	6.95	–
34⅞	29⅞	Treas. 3pc '66 Aft.	32¼	–⅛	9.30	–
29⅞	24⅞	Consols 2½pc	27⅝	–⅛	9.13	–
29⅞	24⅞	Treas. 2½pc	27⅝	–⅛	9.13	–
		Index–Linked			(1)	(2)
134⅞	125⅛	Treas. 2pc '88 (297.1)	134⅛		–	–
119⅛	106⅞	Do. 2pc '90(333.9)	118⅞		0.61	1.97
101⅛	95½	Do. 2pc '92‡‡ (385.8)	100⅛		1.95	2.62
130⅞	119⅞	Do. 2pc '96(267.9)	128½	+⅛	3.49	3.81
111½	96⅛	Do 2½pc '01 (308.8)	108⅛	+⅛	3.78	4.01
110	94⅛	Do. 2½pc '03(310.7)	105⅞	+⅛	3.80	4.01
113⅞	94⅞	Do. 2pc '06(274.1)	106⅞	+⅛	3.84	4.01
108	89⅞	Do. 2½pc '09(310.7)	100¼	+⅛	3.84	4.01
113⅞	93⅞	Do. 2½pc '11(294.1)	104⅛xd	+⅛	3.84	4.00
95⅞	76⅞	Do. 2½pc '13(351.9)	86⅛xd	+⅛	3.80	3.95
103⅞	83⅛	Do. 2½pc '16(322.0)	93⅞	+⅛	3.76	3.90
101⅞	81⅛	Do. 2½pc '20 (327.3)	91⅝	+⅛	3.70	3.82
86⅞	68⅞	Do. 2½pc '24 ‡‡(385.3)	77½		3.63	3.75

Prospective real redemption rate on projected inflation of (1) 10% and (2) 5%. (b) Figures in parentheses show RPI base month for indexing, ie 8 months prior to issue. RPI for May 1987:101.9 and for December 1987: 103.3 (rebased at 100 January 1987 conversion factor 3.945).

INT. BANK AND O'SEAS GOVT STERLING ISSUES

1987/88 High	Low	Stock	Price £	+ or –	Yield Int.	Red.
113⅞	97⅞	African Dv Bk 11⅛Ln 2010	104⅞	–⅛	10.61	10.54
109⅞	93	Asian Dev Bk 10⅛pcLn2009	100⅞	–⅛	10.17	10.16
136	117⅛	Australia 13½pc 2010	125⅞xd	–⅞	10.75	10.51
118⅛	100½	Do. 11¾pcLn2015	108⅛	–⅞	10.50	10.44
115⅞	99⅞	Euro Inv Bk 11pc Ln 2002	107⅛	–⅞	10.25	10.03
110⅞	94⅛	Do. 10⅛pc2004	102⅞	–⅞	10.10	10.03
126⅞	109⅞	Int–Am Dev Bk 12½pc 2003	116⅞	–⅞	10.71	10.28
104⅞	88⅞	Do. 9¾pcLn 2015	95½	–⅛	10.25	10.28
97⅞	83	Mlysia 10¾pcLn 2009	90⅛xd	–⅞	11.90	12.01
115	98⅛	NZ 11¼pc 2008	106⅝	–⅛	10.55	10.45
123⅛	100⅞	Do 11½pc 2014	108⅞	–⅞	10.57	10.50
130⅞	100⅞	Sweden 13½pc Ln 2010	126⅞	–⅞	10.69	10.43
102⅞	87⅞	Utd. Mexican States 16½pc 2008	99⅞	+⅞	16.51	16.60

CORPORATION LOANS

1987/88 High	Low	Stock	Price £	+ or –	Yield Int.	Red.
109⅛	103	Birmingham 13½pc 1989	105½	+⅛	12.80	10.04
119	100⅞	Do. 11½pc 2012	108⅞	–1⅛	10.63	10.55
95⅛	82⅞	GLC 6¾pc 1990–92	90xd	+1	7.50	10.89
132½	115	Leeds 13½pc 2006	120		11.25	14.20
35	22	Liverpool 3½pc Irred	30		11.67	–
96	85	LCC 6¾pc '88–90	91½		7.38	10.49
31½	21	Do. 3pc '20 Aft	25xd		12.00	–
115	103½	Manchester 11½pc 2007	104		11.06	10.80

COMMONWEALTH & AFRICAN LOANS

1987/88 High	Low	Stock	Price £	+ or –	Yield Int.	Red.
92⅞	81⅛	NZ 7¾pc 1988–92	88⅛	–½	8.17	9.75
207	165	S Rhod 2½pc Non–Asstd.	207		–	–
78	65	Do. 4½pc 87–92 Asstd.	75xd		–	–
860	70	Zimbabwe Ann (2100pa)	91		–	–

LOANS

[illegible]

FOREIGN BONDS & RAILS

1987/88 High	Low	Stock	Price £	+ or –	Div % Gross	Red. Yield
53	42	Greek 7pc Ass.	45		3.50	f7.42
52	40	Do. 6pc 28 Stb. Ass.	45xd		3	f6.37
50	45	Do 4pc Mixed Ass.	45		2	f4.44
75	58	Hung. '24 Ass.	75	+3	2.75	f5.00
146½	122⅞	Hydro Quebec 15pc 2011	135⅞		15.00	10.75
136⅛	115⅞	Iceland 14½pc Ln 2016	124⅞		14.50	11.52
103½	94	Ireland 9¾pc '91–96	97xd	–⅛	9.75	10.03

AMERICANS

1987/88 High	Low	Stock	Price £	+ or –	Div Gross	C'vr	Y'ld Gr's
42	23⅛	Abbott Laboratories‡	27⅞	+1⅛	$1.00	–	2.0
40⅞	20⅞	Alcoa $1	23⅞	+⅛	$1.20	–	2.8
187⅞	420p	♥Allegheny & W $0.01	569p	+5	30c	–	2.9
19⅞	7⅞	Amax $1	9⅛	–⅛	–	–	–
30⅞	13⅛	Amdahl 5c	18⅝	+⅛	20c	–	0.6
35⅞	18⅛	Amer. Cyanamid $5	27⅞	+½	$1.05	–	2.1
25⅞	11⅞	Amer. Express $0.60	15xd	+⅞	76c	–	2.8
12⅞	636p	Amer. Medical Int. $1	726p	+14	†72c	–	5.4
22½	14⅛	American T. & T. $1	17⅝	+⅛	$1.20	–	3.8
65⅛	43½	Ameritech $1	54⅞	+1⅛	h$4.72	–	4.8
24⅞	14⅛	Amtac‡	18⅞	+⅛	–	–	–
25	16	Anheuser–Busch $1	18⅝	+⅛	60c	–	1.8
98p	33p	♥AridTech‡	57p	+1	–	–	–
10⅛	3⅞	BankAmerica $1⅛	4⅞		–	–	–
34⅛	14⅞	Bankers N.Y. $10	19⅞	+1½	$1.66	–	4.6
652p	80p	BASIX Corp.	99p		12c	–	6.6
49⅛	34½	Bell Atlantic $1	41⅞	+1⅛	$3.84	–	5.1
27	18	BellSouth Corp.	23⅞	+⅛	$2.20	–	5.0
11⅞	4⅛	♥Bethlehem Steel $8	9⅞	+⅛	–	–	–
20⅛	624p	Bio–Rad Labs. Inc. "A"	838p	–30	–	–	–
27⅛	13⅞	Bowater Inc	16½	+⅛	92c	–	3.1
21⅞	12⅛	Browning–Ferris 16⅔c	15⅞	+⅛	48c	–	1.7
18⅞	6⅛	Brunswick $0.75	10⅛xd	+⅛	30c	–	1.6
36⅛	19⅞	CPC Intnl. 25c	24⅝	+⅞	h$1.24	–	2.8
25⅞	13⅛	CSX Corp U.S.$1.00	17⅛		$1.24	–	3.9
25⅞	10⅛	CalFed Inc $1.00	16	+⅛	$1.20	–	4.1
21⅞	13⅞	Campbell Soup 15c	15⅞	+⅛	84c	–	2.9

[illegible]

Continued on next page

Money Market Trust Funds

[illegible]

Money Market Bank Accounts

[illegible]

LONDON SHARE SERVICE

AMERICANS – Contd

1987/88 High	Low	Stock	Price £	+ or –	Div Gross	C'vr	Y'ld Gr's
39	21	Rep NY Corpn $5	24	+¼	$1.20	–	2.7
18¾	8¾	Rockwell Intl. $1	10¼	+¼	66c	–	3.5
30½	16¼	Sara Lee $1(1/3)	23½xd	+½	$1.00	–	2.5
11½	8¾	Saul (B. F.) $1	10¼	+¼	20c	–	1.1
27½	2¼	Southwestern Bell $1	21⅞	+⅛	h$2.32	–	5.8
22¼	994p	♦Staley Continental	12¼	+¼	80c	–	3.6
44½	21⅝	Sun Co. Inc. $1	31⅝	+1¼	$3.00	–	5.2
42¼	22¼	TRW Inc. $0.625	28¼	+½	‡$1.60	–	3.1
37⅞	21	Tenneco $5	22⅞xd	+⅛	$3.04	–	7.3
220	149½	Do. 10pcLn.Stk. 91-5	155	......	10%	–	14.7
29⅞	15⅞	Texaco $6.25	21⅞	+⅛	$3.00	–	7.7
74½	36½	Time Inc. $1	49⅞	+2¼	$1.00	–	1.1
30¾	15	Transamerica $1	18½	+⅛	$1.84	–	5.4
14¼	1¼	Transworld Corp $5	818p	–14	20c	–	1.3
27⅞	12¼	TRINOVA Corp.	16¾	–¼	56c	–	1.8
24½	12¼	♦USX $1	17½	+½	$1.20	–	3.7
37⅞	16¾	Utd. Technologies	21⅞	+½	$1.40	–	3.5
39⅝	25⅞	US West$	30⅞	+½	$3.28	–	5.8
30½	17⅞	Waste Management $1	20½	+½	36c	–	1.0
31¾	13⅝	Whirlpool $1.0	15⅛	–⅛	–	–	–
37⅞	16½	♦Woolworth $3½	22¾	......	$1.32	–	3.2

CANADIANS

[illegible]

BANKS, HP & LEASING

[illegible]

Hire Purchase, Leasing, etc.

[illegible]

BEERS, WINES & SPIRITS

[illegible]

BUILDING, TIMBER, ROADS

[illegible]

BUILDING, TIMBER, ROADS – Contd

[illegible]

CHEMICALS, PLASTICS

[illegible]

DRAPERY AND STORES

[illegible]

DRAPERY AND STORES – Contd

[illegible]

ELECTRICALS

[illegible]

ENGINEERING

[illegible]

ENGINEERING – Contd

[illegible]

FOOD, GROCERIES, ETC

[illegible]

HOTELS AND CATERERS

[illegible]

INDUSTRIALS (Miscel.)

[illegible]

INDUSTRIALS (Miscel.) – Contd

[illegible]

INDUSTRIALS (Miscel.) – Contd.

[illegible]

INSURANCES

[illegible]

LONDON SHARE SERVICE

INSURANCES – Contd

[illegible]

LEISURE

[illegible]

MOTORS, AIRCRAFT TRADES

[illegible]

Commercial Vehicles

[illegible]

Components

[illegible]

Garages and Distributors

[illegible]

NEWSPAPERS, PUBLISHERS

[illegible]

PAPER, PRINTING, ADVERTISING

[illegible]

PAPER, PRINTING, ADVERTISING – Contd

[illegible]

PROPERTY

[illegible]

SHIPPING

[illegible]

SHOES AND LEATHER

[illegible]

SOUTH AFRICANS

[illegible]

TEXTILES

[illegible]

TEXTILES – Contd

[illegible]

TOBACCOS

[illegible]

TRUSTS, FINANCE, LAND

Investment Trusts

[illegible]

TRUSTS, FINANCE, LAND – Contd

[illegible]

Finance, Land, etc

[illegible]

OIL AND GAS

[illegible]

OIL AND GAS – Contd

[illegible]

OVERSEAS TRADERS

[illegible]

PLANTATIONS

Rubbers, Palm Oil

[illegible]

Teas

[illegible]

MINES

Central Rand

[illegible]

Eastern Rand

[illegible]

Far West Rand

[illegible]

O.F.S.

[illegible]

Diamond and Platinum

[illegible]

Central African

[illegible]

Finance

[illegible]

Australians

[illegible]

MINES – Contd

[illegible]

Tins

[illegible]

Miscellaneous

[illegible]

THIRD MARKET

[illegible]

NOTES

Unless otherwise indicated, prices and net dividends are in pence and denominations are 25p. Estimated price/earnings ratios and covers are based on latest annual reports and accounts and, where possible, are updated on half-yearly figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation and unrelieved ACT where applicable; bracketed figures indicate 10 per cent or more difference if calculated on "nil" distribution. Covers are based on "maximum" distribution; this compares gross dividend costs to profit after taxation, excluding exceptional profits/losses but including estimated extent of offsettable ACT. Yields are based on middle prices, are gross, adjusted to ACT of 27 per cent and allow for value of declared distribution and rights.

- ● Tap Stock
- * Highs and lows marked thus have been adjusted to allow for rights issues for cash
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- ‡‡ Tax-free to non-residents on application
- ♦ Figures or report awaited
- ♥ Not officially UK listed; dealings permitted under rule 535(4)(a)
- ♣ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- †† Dealt in under Rule 535(3).
- # Price at time of suspension
- ¶ Indicated dividend after pending scrip and/or rights issue; cover relates to previous dividend or forecast.
- ♦ Merger bid or reorganisation in progress
- ♣ Not comparable
- ♦ Same interim; reduced final and/or reduced earnings indicated
- § Forecast dividend; cover on earnings updated by latest interim statement.
- † Cover allows for conversion of shares not now ranking for dividends or ranking only for restricted dividend.
- ☆ Cover does not allow for shares which may also rank for dividend at a future date. No P/E usually provided.
- ‖ No par value

B.Fr. Belgian Francs. Fr. French Francs §§ Yield based on assumption Treasury Bill Rate stays unchanged until maturity of stock. a Annualised dividend. b Figures based on prospectus or other offer estimate. c Cents. d Dividend rate paid or payable on part of capital, cover based on dividend on full capital. e Redemption yield. f Flat yield. g Assumed dividend and yield. h Assumed dividend and yield after scrip issue. j Payment from capital sources. k Kenya. m Interim higher than previous total. n Rights issue pending q Earnings based on preliminary figures. s Dividend and yield exclude a special payment. t Indicated dividend, cover relates to previous dividend, P/E ratio based on latest annual earnings. u Forecast, or estimated annualised dividend rate, cover based on previous year's earnings. v Subject to local tax. x Dividend cover in excess of 100 times. y Dividend and yield based on merger terms. z Dividend and yield include a special payment: Cover does not apply to special payment. A Net dividend and yield. B Preference dividend passed or deferred. C Canadian. E Minimum tender price. F Dividend and yield based on prospectus or other official estimates for 1986-87. G Assumed dividend and yield after pending scrip and/or rights issue. H Dividend and yield based on prospectus or other official estimates for 1986. K Dividend and yield based on prospectus or other official estimates for 1987-88. L Estimated annualised dividend, cover and P/E based on latest annual earnings. M Dividend and yield based on prospectus or other official estimates for 1988. N Dividend and yield based on prospectus or other official estimates for 1987. P Figures based on prospectus or other official estimates for 1987. Q Gross. R Forecast annualised dividend, cover and p/e based on prospectus or other official estimates. T Figures assumed. W Pro forma figures. Z Dividend total to date.

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xR ex capital distribution.

REGIONAL & IRISH STOCKS

The following is a selection of Regional and Irish stocks, the latter [illegible]

[illegible]

IRISH

[illegible]

TRADITIONAL OPTIONS

3-month call rates

Industrials	p
Allied-Lyons	35
Amstrad	15
BAT	45
BOC Grp.	40
BSR	10
BTR	28
Barclays	48
Beecham	46
Blue Circle	42
Boots	26
Bowaters	38
Brit Aerospace	35
Brit. Telecom	22
Burton Ord.	24
Cadbury	26
Charter Cons.	32
Comm Union	35
Courtaulds	34
FKI Babcock	14
FNFC	25
Gen Accident	85
GEC	15
Glaxo	110
Grand Met	42
GUS 'A'	120
Guardian	87
GKN	30
Hanson	14
Hawker Sidd	48
ICI	100
Jaguar	35
Ladbroke	38
Legal & Gen	30
Lex Service	35
Lloyds Bank	22
Lucas Inds	62
Marks & Spencer	20
Midland Bk	35
Morgan Grenfell	35
NEI	10
Nat West Bk	60
P & O Dfd	52
Plessey	16
Polly Peck	32
Racal Elect	22
RHM	35
Rank Org Ord	60
Reed Intl	45
STC	25
Sears	14
TI	35
TSB	12
Tesco	16
Thorn EMI	60
Trust Houses	22
T&N	20
Unilever	50
Vickers	18
Wellcome	42
Property	
Brit Land	28
Land Securities	48
MEPC	48
Peachey	40
Oils	
Brit Petroleum	25
Britoil	50
Burmah Oil	45
Charterhall	6
Premier	8
Shell	110
Tricentrol	18
Ultramar	24
Mines	
Cons Gold	100
Lonrho	29
RTZ	38

A selection of Options traded is given on the London Stock Exchange Report Page

LONDON STOCK EXCHANGE

Account Dealing Dates

*First Dealings	Option Declarations	Last Dealings	Account Day
Jan 11	Jan 21	Jan 22	Feb 1
Jan 25	Feb 4	Feb 5	Feb 15
Feb 8	Feb 18	Feb 19	Feb 29

*New time dealings may take place from 9.00 am two business days earlier.

Bank's signal on base rates hits Government bonds and leading shares

THE SIGNAL for higher base rates delivered by the Bank of England came as "a bolt from the blue" for the UK securities markets yesterday. Friday's warning on rates by the Governor of the Bank had been largely discounted in the marketplace, and both Gilts and equities started the session optimistically, spurred on by hopes of a cut in US interest rates.

After the Bank's move, bonds closed with losses of more than a full point, having shed initial gains of around ½ point. Once the shock was over, the sector steadied, and dealers reported some retail support at the lower levels, when yields reached the 9½ per cent area at the long end of the range.

The prospect of dearer money put a stop to another attempt by the stock market to move above FT-SE 1800. After advancing 16.5 to 1807.3 in early trading, the Index turned sharply downwards as the UK banks began to announce half point rises in base rates. Early gains were soon wiped out, and the market turned down in earnest near the close, when heavy selling of the FT-SE Futures on the London International Financial Futures Exchange sent blue chip shares spiralling downwards.

By the close, the FT-SE 100 Index was a net 13.9 down at 1776.9, a turnround of 30 points during the session. Turnover throughout was light, with the Seaq bargains total standing at only 399.9m shares at 5.00pm.

The market's failure, yet again, to hold itself above FT-SE 1800 was a bearish signal for some chartists, who now fear there is little support above 1750, which will again be a sensitive testing point for the pre-Budget market.

Selling of the FT-SE March futures contract appeared to follow unsuccessful attempts by a major broker to complete a "sell" programme of leading shares. The contract plunged to a 28 point discount against the underlying index before steadying to close at 176.20.

"We were sellers of the Futures contract", said James Capel, the leading agency broker, "but the size got rather exaggerated around the market".

The surprise in the bond market was all the greater because of the sector's initial firmness. With the long-dated US Treasury bond in good form in Japan before London opened, UK Gilts moved ahead smartly at first. By mid-session, traders believed there was nothing to fear except the likely prospect of a new long-dated tap stock at 3.30pm. But later events pushed tap prospects out of the frame, and sent bonds sharply lower.

Bond prices were up ½ ahead of the Bank's move, then down a net ½, then down a net 1¼, but steadied in the closing minutes. But the Bank's message on inflation prospects was not lost on the Index-linked stocks, which ended with narrow mixed changes, after standing out against the trend of conventional Gilts.

Market specialists, while admitting to their surprise, recovered their poise before the end of a confusing session. There was little opportunity for selling as prices crumbled and the retail buying at the close indicated that yields of 9½ per cent will find support.

"The base rate move can clearly be regarded as an adjustment, and not as a crisis measure,", commented Mr John Shepperd of Warburg Securities.

A new long dated tap stock remains in prospect, although not until the market settles down again. The authorities are expected to wait until yields ease to around 9¼ per cent, according to Mr Shepperd.

Cable and Wireless shares– among the market's best performers last Friday – initially spurted to 379p after the Hong Kong debut of its 80 per cent –owned Hong Kong Telecommunications but later ran back sharply to end the session a net 18 lower at 352p as speculators moved in quickly to take their profits after C & W's recent good run.

Dealers said the HK debut,which saw HK Telecoms move ahead from the issue level of around HK $7.50 to $7.80 before slipping back to $7.50 had proved disappointing and was accompanied by a generally poor showing by other Hongkong issues. Turnover in C & W totalled 6m shares. There was also, according to traders, considerable switching out of C & W into **British Telecom** – Chase Manhattan Securities were apparently good buyers of BT yesterday– and Telecom shares edged up 2 to 239p on a turnover of 3.5m shares.

GEC and **Plessey** were well to the fore in terms of market activity with some 4.5m GEC changing hands and approaching 2m Plessey moving through the SEAQ system. GEC shares dropped back 4½ to 158p, after 156½p, after news that talks between GEC and Philips Lamps to merge their medical systems activities had been terminated "due particularly to fluctuations in the US dollar".But dealers and analysts were not dismayed by the news; "currency fluctuations worked against GEC and it is logical for GEC to withdraw from the deal after unsuccessfully trying to renegotiate terms" said one analyst. Plessey attracted a turnover of 2m shares and settled a net 2 off at 147p despite Press stories over the weekend that defence orders worth some £125m could be in the offing. There were also rumours in the market that the merged GEC/Plessey telecoms interests could be about to announce a susbstantial System X contract with British Telecom which could be worth well in excess of £50m. Moreover, Plessey is thought to be preparing a Class 1 circular to shareholders outlining the advantages of the Plessey/GEC telecoms merger.

BAT Industries traded actively, enlivened both by the implications for its US interests of a firm dollar, and by news that a key lawsuit over product liability against American Brands, the US tobacco company, had ended in a mis-trial ruling.

The shares advanced to 450p in a volume of some 6.9m before falling back to close unaltered on balance at 439p. BAT confirmed yesterday a $3.2bn credit to finance its proposed bid for Farmers Group, the US insurance company.

British Gas regained the limelight in an oil sector still buzzing with takeover rumours. Gas shares touched 142p early in the session following a fresh bout of buying interest spearheaded by Nomura Securities, the leading Japanese securities house, but later subsided on profit–taking to end the day unchanged on balance at 138p; turnover in Gas totalled 11m shares.

An easier trend in crude oil prices and the general decline in equities took oil shares lower after a fairly bright opening. **Britoil** edged up to 483p before easing to close a fraction easier on the day at 478p after the board of directors reiterated its advice for shareholders not to accept the 500p a share offer from BP. But activity in Britoil was much reduced with less than 1m shares traded during the day.

Sustained buying interest from one leading UK securities house failed to lift BP where turnover in the "old" was 4.8m shares and in the "new" 6.7m shares. The former settled 4 cheaper at 260p and the "new" were a shade off at 78p.

Tricentrol, currently on the end of an increased 160p a share bid from Elf and where Atlantic Richfield recently picked up a 14.8 per cent stake via a market raid, initially touched 199p but ran into profit– taking to close a penny easier at 194p despite persistent support from brokers taking the view that the eventual take-out level for the shares could well exceed 200p a share.

Shell remained a favourite and put on ⅛ to £10⅝ amid talk of switching into the shares from Royal Dutch.

Grand Metropolitan, UK hotels and leisure group, touched 463p before closing a couple of pence dearer at 454p on a turnover of around 2.0m shares, despite being pipped at the post in the race for control of Martell, French cognac producer.

Seagram, Canadian drinks group, has come back with a new offer for Martell, which has been accepted by the Martell board. Disappointment that Grand Met is unlikely to gain control of Martell was tempered by the £40m net profit it stands to earn if it accepts the latest offer for its 21.8 per in the French brandy group. Grand Metropolitan still has a distribution agreement with the French company, which is not affected by a change in ownership.

Moorgate Mercantile raced up to 140p before closing a net 22 higher at 137p following the agreed bid from Woodchester;the latter were finally 5 easier at 163p. Among the discount houses Union Discount moved ahead 12 to 325p in front of the preliminary results expected tomorrow.

In Shops, which provides shop space for small retails units within larger stores, made a satisfactory market debut; the shares, placed at 52p, touched 69p before settling at 64p.

Matthew Clark featured a fresh gain of 18 at 378p amid hopes that if Seagram's latest offer for Martell succeeds it will continue to distribute the latter's cognac in the UK.

Breweries traded quietly with most quotations closing a shade easier on the day. **Vaux**, however, continued to edge higher in the wake of continued speculative activity and closed a few pence better at 526p.

A signal to the clearing banks that base rates should rise from 8½ to 9 per cent quashed an initial advance in the interest-rate sensitive Building sector and prices closed broadly lower. Turnover remained in low key for the most part, but **RMC** were relatively active on a turnover of some 1.7m shares and the price held up well to close unchanged at 446p. **Blue Circle** edged forward initially, but later slipped back to close 7 lower on balance at 434p, while losses of around 6 were seen in **Tarmac**, 233p, and **Redland** 425p. Recently-firm **Marley** came back 6 to 146p, while **Magnet** gave ground in the absence of widely rumoured bid developments to close 10 down at 223p. **Meyer International**, boosted by acquisition news – the company has acquired Sanco, an Oxford-based builders merchants for £2.8m – added 3 to 355p, but **Costain** were dragged lower by reports of a Savoury Miln profits downgrading and closed 5 lower at 375p. Brick makers **Ibstock Johnsen** attracted another lively turnover and settled a couple of pence cheaper at 175p.

Laura Ashley were the major casualty in a stores sector that was "already showing signs of strain even before the Bank of England signalled its wish for higher base rates" according to a leading dealer. Laura Ashley dropped 9 to 122p in the wake of a profits downgrading by Wood Mackenzie, a County NatWest subsidiary; Wood Mac have reduced their forecast for the current year from £26m to £23m and for 1988 from £32m to £28.5m. Adverse Press comment upset **Next**, 8 lower at 269p while **Sears** dipped late to close 3½ lower at 129½p. A UBS Phillips and Drew sell recommendation lowered **WH Smith "A"** 10 to 313p. Bid rumours prompted support for **Alfred Preedy**, up 7 at 122p.

The major international stocks settled with small losses after a thin and extremely sensitive trading session. Reflecting the trend, **Beecham**, helped by an initial improvement in the dollar, advanced to 476p before settling a few pence easier on balance 467p.

British Aerospace, unsettled by week-end Press reports suggesting that British Airways is negotiating with Airbus Industrie, the European aircraft consortium, over compensation for a serious performance shortfall in the A320 airliner, closed 8 down at 369p after having touched 366p at one stage. BAe announced yesterday that it had been awarded a £40m Seawolf contract by the Ministry of Defence. **Smith Industries**, a current Barclays de Zoete Wedd buy recommendation were supported and edged up 4 to 234p while favourable Press mention directed fresh buying attention to **Press Tools**, which advanced 12 further to 366p. D.Y. Davies, in contrast, dipped 15 more to 160p following last week's poor interim figures. **Siebe** traded firmly at 328p, up 6, following a recent review of the company by Citicorp Scrimgeour Vickers which concludes with the suggestion that as greater understanding of Siebe's strategy and management skills develops, confidence in the excellent growth prospects will grow, and the shares will be rerated.

Maxwell Communication, recommended by Chase Manhattan Securities as a good trading buy in a recent review of the company, continued to attract buyers and put on 4 further to 254p. **Jefferson Smurfit** rose to 435p before closing 5 to the good at 420p following reports that a sizeable block of shares had changed hands at around 440p.

Sentiment in the Property took a knock following the signal for higher base rates–the leaders, better at first, turned back quite sharply to close with moderate losses on balance. **Land Securities** settled 5 off at 480p and **MEPC** eased 3 to 461p. **Hammerson A** continued to give ground as last week's takeover speculation faded and the close was 18 lower at 543p. On the other hand, **Great Portland Estates** attracted support after news that the company had sold four freehold properties for £4.25m and the price rose 8 to 295p. **Brixton Estate** were also in demand at 259p, up 5, but **Land Leisure** failed to benefit from acquisition news, the price slipping 3 to 275p. **Southend Stadium** gained 7 to 189p following the appointment of Mr. A Nathan to the board.

Among Shippings, **Walter Runciman** featured a fresh gain of 15 at 350p amid continued speculative activity.

Traded option business contracted with the total number of contracts falling to 24,192. Calls accounted for 15,250 contracts, while puts came out at 8,942. **British Gas** calls were fairly lively at 1,932, as were **Hanson**, at 1,074. The **FTSE** contract attracted 1,685 calls and 2,258 puts.

FINANCIAL TIMES STOCK INDICES

	Feb. 1	Jan. 29	Jan. 28	Jan. 27	Jan. 26	Year Ago	1987/88 High	1987/88 Low	Since Compilation High	Since Compilation Low
Government Secs	89.17	89.72	89.72	89.21	88.94	85.35	93.32 (8/5/87)	83.73 (19/10/87)	127.4 (9/1/35)	49.18 (3/1/75)
Fixed Interest	95.38	95.36	95.38	95.21	95.2	91.93	99.12 (15/6/87)	90.23 (2/1/87)	105.4 (28/11/47)	50.53 (3/1/75)
Ordinary ♥	1423.1	1435.7	1430.0	1415.6	1418.0	1463.9	1926.2 (16/7/87)	1232.0 (9/11/87)	1926.2 (16/7/87)	49.4 (26/6/40)
Gold Mines	252.8	261.5	267.0	268.2	265.7	313.5	497.5 (4/8/87)	261.6 (6/1/87)	734.7 (15/2/83)	43.5 (26/10/71)
Ord. Div.Yield	4.38	4.34	4.37	4.41	4.42	3.87				
Earnings Yld. %(full)	11.06	10.98	11.04	11.14	11.16	9.10				
P/E Ratio (net)(*)	11.06	11.14	11.07	10.98	10.96	13.47				
SEAQ Bargains (5pm)	27,907	28,287	26,073	22,053	23,534	40,199				
Equity Turnover (£m)	-	1140.28	1428.57	871.21	1001.59	1484.85				
Equity Bargains	-	27,152	25,461	22,518	26,111	50,710				
Shares Traded (ml)	-	437.7	565.3	349.4	366.2	598.8				

S.E ACTIVITY

Indices	Jan.29	Jan.28
Gilt Edged Bargains	177.9	182.9
Equity Bargains	175.9	165.0
Equity Value	2904.8	2887.5
5-Day average		
Gilt Edged Bargains	168.3	157.5
Equity Bargains	162.8	168.1
Equity Value	2089.5	2047.5

♥ Opening	10 a.m.	11 a.m.	12 p.m.	1 p.m.	2 p.m.	3 p.m.	4 p.m.
1441.6	1440.4	1441.0	1446.4	1435.3	1435.4	1435.7	1431.9

Day's High 1446.6 Day's low 1420.6

Basis 100 Govt. Secs 15/10/26, Fixed Int. 1928, Ordinary 1/7/35, Gold Mines 12/9/55, S E Activity 1974. * Nil=10.96.

LONDON REPORT AND LATEST SHARE INDEX: TEL. 01-0898 123001

Traditional Options

- First dealings Feb 1
- Last dealings Feb 12
- Last declarations May 5
- For Settlement May 16

For rate indications see end of London Share Service

Dealers reported a brisk interest in the Traditional option market. Stocks dealt in for the call included **Far Eastern Resources, Amstrad, GEA, Elswick, Delta, Camford, Ferguson Industrial, Ashley Industrial Trust, APV, Tricentrol, Charterhall, Epicure, BOM Holdings, Brasway, Blacks Leisure, Campari, Eagle Trust, Control Securities, Rotaprint** and **Plessey**. Puts were arranged in **Charterhall** and **Rotaprint**, while a double options was transacted in **Plessey**.

NEW HIGHS AND LOWS FOR 1987/88

NEW HIGHS (8).

BANKS (1), Moorgate Mercantile. INDUSTRIALS (1) Nestor-BNA. TEXTILES (1) Richards. TRUSTS (3) Foreign & Col., Scot National Stepped Prf., TR Pacific Inv Tst.

NEW LOWS (31).

CANADIANS (1) Nevada Goldfields. BANKS (1) Cie. B'cre. ELECTRICALS (2) Ealing Electro, Ross. FOODS (1) Barker & Dobson. INDUSTRIALS (8) Brooks Service, Davies(D.Y.), Optical & Med. Inc. St. Gobain. TRUSTS (2) Unigroup, Clayton Robard. MINES (18) THIRD MARKET (1) Seacon.

TRADING VOLUME IN MAJOR STOCKS

The following is based on trading volume for Alpha securities dealt through the SEAQ system yesterday until 5 pm.

Stock	Volume 000's	Stock	Volume 000's	Stock	Volume 000's
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	16	98	2
Corporations, Dominion and Foreign Bonds	5	25	23
Industrials	420	405	733
Financial and Properties	191	137	309
Oils	20	42	50
Plantations	2	7	7
Mines	29	86	82
Others	123	38	95
Totals	806	838	1,301

FT – ACTUARIES INDICES

These Indices are the joint compilation of the Financial Times, the Institute of Actuaries and the Faculty of Actuaries

EQUITY GROUPS & SUB-SECTIONS

Figures in parentheses show number of stocks per section	Index No.	Day's Change %	Est. Earnings Yield% (Max.)	Gross Div. Yield% (Act at 27%)	Est. P/E Ratio (Net)	xd adj. 1988 to date	Fri Jan 29 Index No.	Thu Jan 28 Index No.	Wed Jan 27 Index No.	Year ago (approx) Index No.
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

FIXED INTEREST

PRICE INDICES	Mon Feb 1	Day's change %	Fri Jan 29	xd adj. today	xd adj. 1988 to date
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

AVERAGE GROSS REDEMPTION YIELDS	Mon Feb 1	Fri Jan 29	Year ago (approx.)
[illegible]	[illegible]	[illegible]	[illegible]

† Flat yield. Highs and lows record, base dates, values and constituent changes are published in Saturday issues. A new list of constituents is available from the Publishers, The Financial Times, Bracken House, Cannon Street, London EC4P 4BY, price 15p, by post 32p.

LONDON TRADED OPTIONS

Option		Calls Apr.	Calls Jul.	Calls Oct.	Puts Apr.	Puts Jul.	Puts Oct.
Allied Lyons (*348)	330	40	48	58	13	24	[illegible]
	360	22	30	42	26	40	[illegible]
	390	10	21	-	46	58	[illegible]
Brit. Airways (*174)	160	23	30	35	8	15	[illegible]
	180	12	18	25	18	25	[illegible]
	200	5	10	-	32	38	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

LONDON RECENT ISSUES

EQUITIES

Issue Price p	Amount Paid up	Latest Renunc. Date	1987/88 High	1987/88 Low	Stock	Closing Price p	+ or -	Net Div.	Times Covered	Gross Yield	P/E Ratio
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

FIXED INTEREST STOCKS

Issue Price £	Amount Paid up	Latest Renunc. Date	1987/88 High	1987/88 Low	Stock	Closing Price £	+ or -
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

RIGHTS OFFERS

Issue Price p	Amount Paid up	Latest Renunc. Date	1987/88 High	1987/88 Low	Stock	Closing Price p	+ or -
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

WORLD STOCK MARKETS

AUSTRIA | FRANCE | GERMANY (continued) | NETHERLANDS (continued) | SWEDEN (continued) | BELGIUM/LUXEMBOURG | SWITZERLAND | NORWAY | ITALY | DENMARK | SPAIN | SOUTH AFRICA | FINLAND | GERMANY | NETHERLANDS | SWEDEN

[illegible]

JAPAN | AUSTRALIA (continued) | HONG KONG | AUSTRALIA | SINGAPORE

[illegible]

CANADA

TORONTO
Closing prices February 1

[illegible]

1—No voting rights or restricted voting rights.

MONTREAL
Closing prices February 1

[illegible]

Total Sales 4,751,086 shares

OVER-THE-COUNTER *Nasdaq national market, closing prices*

Continued from Page 39

[illegible]

Stock	Sales (Hds)	High	Low	Last	Chng
RPMs .58	18 415	15	14¾	15	+ ¼
RadSys.05e	18 147	8¼	8⅛	8¼	
Reeves	16 374	8⅝	8⅜	8½	
RgcyCr	5 949	1½	1 7-16	1 15-32	+ 1-32
RgcyEl	24 84	3¾	3⅝	3⅝	
Regines	15 49	15¾	15	15¼	+ ½
RegIBc .08e	8 100	14½	14⅛	14½	+ ¼
Repign	36	9½	9	9	− ¼
RepAm .24	11 15	14½	14⅜	14⅜	
ReutrH .96e	817	55¾	54¾	54⅞	− ⅞
Rexon	9 1009	6	5⅝	5⅝	− ¼
ReyRy .76	8 1308	18	17¼	17¾	+ ½
Sizler	18 220	16½	16	16¼	+ ¼
SmthF	13 85	24¾	24½	24¾	+ ¼
Societys1.20	9 1138	34¼	33¾	34	+ ¼
SoctySv .60	7 645	18¼	17	18¼	+ 1½
SoftwA	11 37	7⅞	7⅝	7⅞	+ ¼
SthwPb	10 357	9¼	9	9	− ⅛
SonocPs .52	16 1081	22½	21½	21¾	− ½
Sonora	92	5½	5⅜	5⅜	
SoundW	15 115	9¾	9⅝	9½	− ⅛
SCarNt .56	8 128	19¾	19⅜	19¾	+ ⅜
Sounet	85 198	14¾	14¼	14⅝	+ ⅜
SohldSv	529	18⅛	18	18	− ⅛
Soutrst .88	8 167	19⅛	18¾	18⅞	+ ⅛
UST Cp .52	10 13	20¼	18½	20¼	
UTL	12 228	8¾	8⅝	8½	
Ungmn	21 835	7⅝	7½	7⅝	
Unifi	9 312	17⅝	17⅜	17⅜	− ¼
UnPlntr .60	16 x39	21¾	21½	21¾	+ ¼
UnSplC	18 75	22½	22	22¼	− ¼
UACm .04	38 21	24½	24½	24½	− ¼
UBCol	27 91	17	16⅞	16⅞	− ⅛
UnCosF .55	8 9	18¾	18¾	18¾	
UHltCr	387	5	4⅝	4⅝	
UtdSvrs .72	4 376	15	14½	14⅞	+ ⅛
USBcp .80	9 1265	24¼	23	23⅞	+ 1⅛
Worthg .40	16 141	17⅞	17⅝	17⅝	
Wyman .80	166	14	13½	14	
Wyse	10 2023	19⅜	18⅜	18½	− ½
XOMA	190	11¾	11	11¼	
Xicor	24 3895	7⅝	7⅜	7⅝	+ ⅛
Xidex	1370	6⅝	6½	6½	+ ⅛
Xylogic	9 30	9½	9¼	9¼	− ¼
Xyvsn	12 393	4½	4¼	4½	
YlowFs .62	21 235	28⅞	28⅝	28¾	+ ⅛
ZionUt 1.44	11	24¼	23¾	24	− ¼
Zondvn	261	8⅝	8¼	8⅜	
Zycad	114	4	3⅞	4	+ 1-16

CHIEF LONDON PRICE CHANGES YESTERDAY

(Prices in pence unless otherwise indicated)

RISES

Clark (Matthew)	378	+ 18
Gt. Portland Est.	296	+ 8
Lon & Manchester	305	+ 7
Moorgate Mercantile	137	+ 22
Preedy (Alfred)	122	+ 7
Press Tools	355	+ 12

FALLS

Treas 7¾% 2012-15	585¹¹⁄₁₆	− ⅜
Ashley (Laura)	122	− 9
Blue Circle	434	− 7
Brit. Aerospace	369	− 8
Cable & Wireless	353	− 17
Davies (D.Y.)	160	− 15
Hammerson A	505	− 18
LASMO	312	− 10
Magnet	223	− 10
Next	267	− 10
STC	238	− 8
Ultramar	236	− 9
Woolworth	273	− 7

TOKYO - Most Active Stocks
February 1 1988

	Stocks Traded	Closing Prices	Change on day
Ishikawajima-Harima Heavy Inds	48.88m	691	−4
Toshiba	43.83m	738	+16
Sumitomo Heavy Inds	24.23m	920	+2
Kawasaki Steel	30.36m	344	+3
Kawasaki Heavy Inds	25.42m	316	−1
Konica	18.94m	908	+23
Atsugi Nylon	15.37m	991	+26
Tokyo Gas	10.80m	985	+15
Mitsubishi Electric	10.08m	595	+5
Nippon Steel	9.69m	391	+1

Indices

NEW YORK — DOW JONES

[illegible]

CANADA

[illegible]

NEW YORK ACTIVE STOCKS

[illegible]

[illegible]

NEW YORK STOCK EXCHANGE COMPOSITE CLOSING PRICES

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

A

B B B

C C C

D D D

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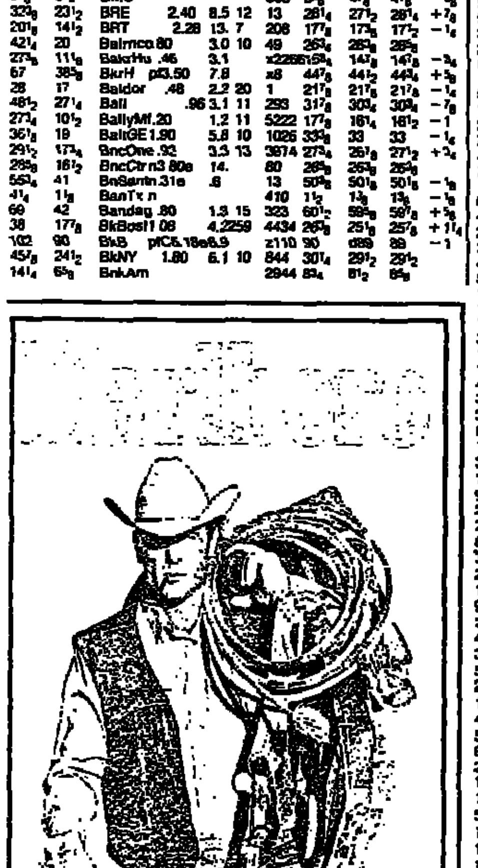


Continued on Page 39

صورة من الأصل

NYSE COMPOSITE CLOSING PRICES

Continued from Page 38

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
							X Y Z			
65	50	Xerox	3	5.5	10	5717	55⅞	54⅝	54¾	+½
55¼	52½	Xerox pf5.45		10.		154	53⅞	53⅝	53⅞	+¼
31½	19⅛	XTRA	.64	2.3	18	16	28½	28	28	−⅜
28¼	19½	XTRA pf1.94		7.8		8	25¼	24¾	24¾	−¼
33⅞	17½	Yorkln			10	78	23⅝	23¼	23¼	
7¼	2¼	Zapata				672	2⅞	2⅝	2¾	+¼
37	13½	Zayre	.40	2.5	6	4936	16¼	15⅝	15¾	
18⅛	8¾	Zemex	.40	3.8	13	13	10½	10⅜	10½	−⅛
33⅝	10	ZenithE				1921	16	15½	15⅝	+¼
13½	2½	ZenLab				479	3	2⅞	3	
25½	13½	ZenNtl	.80	4.6	8	107	17¼	17	17¼	+⅛
20⅝	11⅝	Zero	.36	2.4	15	75	15	14¾	15	+⅜
30¾	15	Zurnln s .68		3.0	15	279	23⅛	22⅝	22⅝	−¼
10⅝	7⅝	Zweig 1.08e		11.		836	9⅝	9½	9½	+⅛

Sales figures are unofficial. Yearly highs and lows reflect the previous 52 weeks plus the current week, but not the latest trading day. Where a split or stock dividend amounting to 25 per cent or more has been paid, the year's high-low range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividends are annual disbursements based on the latest declaration.

a-dividend also extra(s). b-annual rate of dividend plus stock dividend. c-liquidating dividend. cld-called. d-new yearly low. e-dividend declared or paid in preceding 12 months. g-dividend in Canadian funds, subject to 15% non-residence tax. i-dividend declared after split-up or stock dividend. j-dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k-dividend declared or paid this year, an accumulative issue with dividends in arrears. n-new issue in the past 52 weeks. The high-low range begins with the start of trading. nd-next day delivery. P/E-price-earnings ratio. r-dividend declared or paid in preceding 12 months, plus stock dividend. s-stock split. Dividends begin with date of split. sls – sales. t-dividend paid in stock in preceding 12 months, estimated cash value on ex-dividend or ex-distribution date. u-new yearly high. v-trading halted. vi-in bankruptcy or receivership or being reorganised under the Bankruptcy Act, or securities assumed by such companies. wd-distributed. wi-when issued. ww-with warrants. x-ex-dividend or ex-rights. xdis-ex-distribution. xw-without warrants. y-ex-dividend and sales in full. yld-yield. z-sales in full.

AMEX COMPOSITE CLOSING PRICES

OVER-THE-COUNTER *Nasdaq national market, closing prices*

Continued on Page 37

AMERICA

Focus on bonds leaves Dow at weaker level

Wall Street

AS ATTENTION remained focussed on the US bond market, equities first drifted around Friday's closing levels and then weakened, *writes Janet Bush in New York.*

The Dow Jones Industrial Average closed 13.59 points lower at 1,944.63. Volume was relatively high compared with recent sessions with more than 210m shares changing hands. However, traders noted that activity had been inflated by heavy volume in a handful of shares due to go ex-dividend.

Three shares – Union Carbide, Central & South West and Iowa-Illinois Gas & Electric – go ex-dividend today and Niagara Mohawk Power will go ex-dividend next week. These four stocks were reported to have accounted for around a third of total volume during morning trading.

The stock market has few ideas of its own and is currently content to shadow movements in the bond market. The outburst of optimism about lower interest rates after last Thursday's fourth-quarter GNP figures spilled over into the equity market on Friday, although, even then, the Dow managed only a modest gain of just under 30 points.

The bond market rally extended yesterday with the Treasury's 8.875 per cent 30-year issue up half-a-point to yield 8.37 per cent at midsession. However, prices started easing back during afternoon business and in late trading the long bond stood only 1/32 higher to yield 8.41 per cent.

Dominating the outlook, not only on the bond market but apparently also on the foreign exchange market, are the Treasury's quarterly refunding auctions starting today with a $9.5bn sale of three-year notes. The late slide in prices seemed to reflect positions' squaring before today's sale.

The dollar's strength despite lower US interest rates was seen as evidence that there will be strong demand at the auctions. Optimism has been building over the last few days that the Japanese will be strong buyers although, as always, it is difficult to find firm evidence of intentions.

After months of vacillation since the October share price collapse, US financial markets now seem fairly confident that the US is heading for a marked deceleration in growth in the early months of this year which should mean lower interest rates.

For the dollar, the prospect of decreased demand is positive because this should make it easier to cut the US trade deficit.

One eagerly-awaited economic indicator published yesterday was the latest report by US purchasing managers. The report said that the economy's growth rate decelerated during January but that new orders were particularly strong which suggested a "respectable, if not vigorous" first quarter economy. New construction spending fell 0.4 per cent in December after a large gain in November.

Later this week, the key indicator will be the latest set of unemployment figures on Friday which are expected to show a far more modest rise in the non-farm payroll than in recent months.

Among blue chips, International Business Machines fell $2⅜ to $110, Eastman Kodak was down $⅞ at $43⅜, General Electric dropped $1⅛ to $44 but Merck added $3 to $153¾.

The major corporate news yesterday was American Brands' successful tit-for-tat purchase of E-II Holdings for $1.1bn. E-II rose $2⅛ to $16⅝ while American Brands dropped $2⅜ to $44⅞.

Santa Fe Southern Pacific slipped $⅜ to $44 yesterday after news that it had joined forces with the Reichmann family of Canada to fight off a bid by the Henley Group. Henley's stock added $⅜ to $20⅝. It is believed to hold around 15 per cent of Santa Fe, a holding worth more than $1bn.

Compaq Computer, which announced record sales of $1.2bn and record net income of $136m or $3.57 per share for the year to December 1987, nevertheless slipped $½ to $46⅞.

Monsanto, which owns Nutrasweet, fell $1⅛ to $86 after rising strongly last week when it was thought that Nutrasweet could start marketing its fat substitute product before Proctor & Gamble brought its own to market. However, it emerged late on Friday that Monsanto would after all have to ask the Food and Drug Administration to review its new product. Proctor & Gamble lost an early gain to close $⅜ lower at $84½.

Stanadyne yesterday jumped $7⅞ to $54¼ in over-the-counter trading after the company said it had agreed to be acquired by Forstmann Little for $55 a share or about $820m.

Dart Group, which has launched a hostile takeover bid for Stop & Shop for around $865m or $31 a share, yesterday dropped $3 to $64. The tender offer follows Stop & Shop's rejection of an earlier bid by the Haft family which controls Dart at $30 a share.

Canada

FALLING copper prices drove heavily-weighted base metal issues lower in Toronto, analysts said, as share prices posted a decline at the close.

The composite index, which had risen about seven points in earlier trading, fell 20.90 to 3036.40 as declines outpaced advances by 439 to 340 on moderately light turnover of 21.3m shares.

Mines were mostly lower. Noranda fell ¾ to C$21¼, Inco dropped 1⅜ to C$22¾, Alcan Aluminium lost 1⅜ to C$30⅞ and Falconbridge declined ¼ to C$18½.

SOUTH AFRICA

THE CONTINUING weakness of the bullion price undermined gold stocks in Johannesburg and left other share prices mixed to lower after the financial rand recovered from a bout of weakness.

The currency's initial easier trend had encouraged buying of golds from abroad, and notably from London. But, as the rand rose, interest fizzled out and the market became uncertain.

Among the golds, Vaal Reefs lost R2 to R269, Southvaal dropped R3.50 to R114.50, Driefontein was off 25 cents at R30.25 and Beatrix was down 75 cents at R13.

Freegold, however, managed a 25 cent rise to R30. The gold index was down 13 at 1,289.0.

Financials were mixed, with Gold Fields rising 50 cents to R51 and Gencor easing 25 cents to R41.75.

Among other miners, diamond stock De Beers ended 50 cents lower at R51.

A weaker industrial sector saw Barlow Rand easing 25 cents to R20.

Australian golds drop to post-crash low

BY CHRIS SHERWELL IN SYDNEY

AUSTRALIAN gold shares yesterday fell victim to a plummeting bullion price, plunging to their lowest levels since the October 19 stock market collapse.

The gold index, which covers 44 companies, sank 112 points, or 6.7 per cent, to 1,560. This represents a fall of more than 62 per cent from its September peak of 4,132.

The decline followed the sharp weakening of bullion in New York on Friday, when it fell more than US$12 to US$454.20 per ounce. The metal weakened further in far eastern markets yesterday, finishing at US$452.95 an ounce in Hong Kong.

The fall in gold shares took its toll on the rest of the Australian market and the All-Ordinaries index, which covers 325 stocks across all sectors, finished at 1,237.5, down 19.5 points, in thin trading. This is still well above the post-crash low of 1,150 reached on November 11.

Local analysts were yesterday poring over the implications of the bullion price fall. Many were concluding that it signified the onset of a deflationary period, with consequences for gold and commodity prices and therefore for resource-rich Australia.

Apart from certain entrepreneurial stocks, gold shares have suffered worst in Australian markets since the October crash, despite some underlying strength in the bullion price.

One important reason was that they had earlier been overbought as foreign investors joined in what was known as Australia's third gold rush.

The bigger mining companies have since suffered more than smaller ones, principally because selling pressure has focused on shares which can be disposed of most easily.

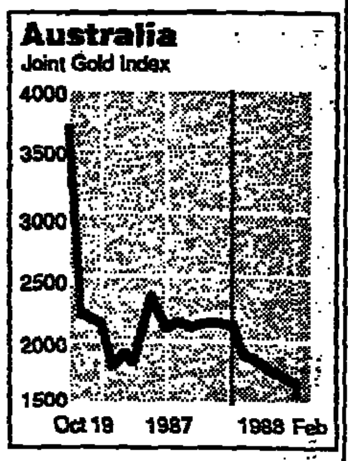
According to Mr Ian Story of BZW Meares, small and emergent producers with annual gold outputs in the 30,000-100,000 ounce range are now on price-earnings ratios of 3 to 5 and represent the best value in the Australian share market.

Analysts agree that the bullion price will have to fall a lot further before gold mining becomes unprofitable in Australia. According to brokers Ord Minnett, 90 per cent of Australian output is produced at an average cost of less than US$250 per ounce.

One interesting feature of the latest fall in Australian gold shares is that the gold index is now 100 points below the 1,660 level reached in December 1986 when Mr Paul Keating, the federal Treasurer, confirmed that gold companies would not be subjected to corporation tax.

At the end of yesterday's trading, one of Australia's biggest gold companies, Western Mining Corporation, finished at A$4.45, down 40 cents. Gold Mines of Kalgoorlie dropped 23 cents to A$2.65.

Kidston Mining was off 24 cents at A$3.68, Placer Pacific dipped 10 cents to A$1.55 and Renison Gold Fields lost 40 cents to A$7.50. Other mining companies to lose ground included CRA, down 35 cents to A$4.95.



EUROPE

Turnover and blue chips rise as dollar firms

THE FIRMER dollar lured investors back to trading floors in Europe yesterday and activity picked up after the lethargy of last week. However, nagging doubts about long-term prospects for the US currency kept buying selective.

Milan went its own way and moved sharply lower amid concern over plans to restructure the Ferruzzi-Montedison group.

FRANKFURT was lifted out of the doldrums as the dollar climbed above DM1.6900. The recent despondency turned into optimism, but memories of the dollar's mixed fortunes were still fresh and some domestic investors remained cautious.

The Commerzbank index advanced 18.2, or 1.5 per cent, to 1,226.1 and the FAZ index rose 6.07 to 402.46.

Export-led sectors rebounded. Cars paced the market with Daimler-Benz jumping DM21 to DM651, BMW advancing DM13 to DM490 and VW up DM4.80 to DM207.80. Porsche, which forecast lower turnover for 1987/88, was carried along with the rally and climbed DM15 to DM420.

Deutsche led other banks higher, advancing DM6.50 to DM366.50, while insurer Allianz added DM35.50 to DM1,235.

The sustained rally in US bonds lifted German bond prices in active trading. The Bundesbank sold DM154.3m of paper after buying DM105.6m on Friday.

MILAN took an unfavourable view of the restructuring plan by the Ferruzzi-Montedison group and share prices fell as selling of the conglomerate spilled over into the rest of the market. The MIB index fell 6.61, or 1.5 per cent, to 459.87 in lively trading.

Under the complex plan, Iniziativa Meta – the financial services division held by Montedison – will be transferred to the family holding which controls the Ferruzzi group in a public share exchange offer.

Iniziativa Meta fell L839, or 8.6 per cent, to L8,951 and Montedison dropped L86, or 6.75 per cent, to L1,175 and hit a low of L1,130 in after hours trading. Ferruzzi Agricola, Ferruzzi's main holding company, lost L86 to a low of L980.

BRUSSELS again focused on Société Générale de Belgique as the market awaited key decisions on Carlo De Benedetti's public offer and a court ruling on the legality of Société Générale's capital increase.

Société Générale's share, Réserve, fell BFr140 to BFr3,290, well below the BFr3,400 offered by De Benedetti, and turnover was active.

Banks and industrials were modestly higher, lifting the Brussels stock index 4.28 to 3,946.57.

Petrofina, which posted a 4.4 per cent fall in group net profit, shed BFr150 to BFr9,440.

ZURICH rose across the board as the higher dollar encouraged the return of investors. The Crédit Suisse index put on 4.9 to 417.9 in moderate turnover.

Blue chip industrials and banks posted good gains. Nestlé put on SFr125 to SFr8,075 and Georg Fischer jumped SFr55, or nearly 9 per cent, to SFr685.

PARIS turned upwards as the firm dollar and a dip in short-term French interest rates cheered the market, taking most sectors higher. The CAC opening index rose 0.5 to 251.8 but did not reflect extended gains later.

Leading blue chips rose, apart from Elf Aquitaine which eased 10 cents to FFr240.90.

AMSTERDAM was heartened by the stronger dollar and a firmer Wall Street but underlying caution restrained an early rally and kept price rises within narrow margins. The ANP-CBS index advanced 3.0 to 221.5, supported by blue chips.

MADRID edged higher in featureless trade. Modest gains in most sectors offset moderate losses in utilities and lifted the general index 1.09 to 250.42.

STOCKHOLM slipped lower as concern over the two-week labour conflict undermined optimism generated by the dollar.

OSLO firmed as bargain-hunters sought oils and industrials after last week's losses. The all-share index rose 1.55 to 257.31 in moderate trading.

Norsk Data, which reported a 51 per cent fall in 1987 pre-tax profits after the close, rose NKr4.50 to NKr60.

London

EQUITIES reversed early gains in London after the shock of the Bank of England's move to higher base rates. The FT-SE 100 index, which had risen 16.5 in early trading, ended 13.9 lower at 1,776.9 in light turnover.

Bonds fell sharply on the news, closing down more than a full point after early firmness.

HK Telecommunications makes uninspiring debut

BY DAVID DODWELL IN HONG KONG

HONGKONG TELECOMMUNICATIONS, a company forged by the merger of Hongkong Telephone and Cable & Wireless (Hong Kong), made its debut as the British territory's largest listed company yesterday, accounting for about 16 per cent of stock market turnover in what was otherwise a lack-lustre trading day.

The market's dull performance puzzled some analysts, who had expected a boost from the listing, along with weekend news of major property investments by companies controlled by Mr Li Ka-shing, and a strengthening of the US dollar.

The Hang Seng index, Hong Kong's main stock market indicator, fell by 51.4 points over the day to close at 2,358.3.

HK Telecoms shares, which were launched at HK$7.50 apiece, oscillated between HK$7.80 and HK$7.40, only to end the day exactly where they started. About HK$100m of the group's shares changed hands out of a total market turnover for the day of HK$630m.

Sir Eric Sharp, chairman of Cable & Wireless plc of the UK, which has an 80 per cent stake in the new telecommunications group, was in Hong Kong for the listing. He said the relationship between Hongkong Telephone, which has a monopoly of local telephone traffic, and Cable & Wireless (Hong Kong), which controls the territory's international telecommunications links, had grown so great that it no longer made sense to keep the two separate.

The merged group is by far the biggest in Hong Kong, accounting for almost 20 per cent of the entire market capitalisation of the stock exchange. The two operating companies employ about 16,000 people in Hong Kong and plan investments in the territory totalling HK$30bn over the next decade.

Plans for a merger were unveiled inauspiciously on Black Monday, October 19. Hongkong Telephone was at the time listed on the local exchange, with about 20 per cent of its shares in public hands, while Cable & Wireless (HK) was controlled by Cable & Wireless in the UK and by the Hong Kong Government, with a minority stake of 20 per cent.

As a result of the merger, 9 per cent of HK Telecoms' shares will be in public hands, with 11 per cent held by the Hong Kong Government and the rest by Cable & Wireless plc.

A Hong Kong government commitment to dispose of its stake, and a parallel commitment by Cable & Wireless to dilute its holding, are in abeyance following the October crash.

ASIA

Nikkei's early gains trimmed by profit-taking

Tokyo

A BOUT of cautious profit-taking towards the close eroded early gains and left share prices mixed in Tokyo yesterday. But issues which lagged behind last week's upsurge put on a spurt and helped lift the Nikkei average slightly higher, *writes Shigeo Nishiwaki of Jiji Press.*

The Nikkei average closed 13.19 higher at 23,732.32, posting its fourth consecutive rise. Turnover dipped to 638m from Friday's 713m shares and advances outnumbered declines by 519 to 396 with 126 issues unchanged.

Trading was lacklustre throughout the day and many institutional investors were sidelined as no new factors emerged to encourage buying.

Soon after opening, the Nikkei average surged some 100 points as the market extended the firm trend of last week, supported by the yen's slide against the dollar and individual buying. But later in the session, growing anxiety about the rapid rise of prices triggered a wave of profit-taking.

Among the best performers was Kinoca, which added Y23 to Y908 on expectations of a strong recovery in earnings. Atsugi Nylon was actively traded and climbed Y26 to Y991, Citizen Watch put on Y31 to Y618 and Nippon Kogaku rose Y50 to Y1,030.

Selected railroads firmed on speculative buying. Keisei Electric Railway put on Y26 to Y770 and Tokyu Corp. was up Y20 at Y1,270. Among other speculative stocks, Tsukishima Kikai and Subaru Enterprise each soared a maximum Y200 to Y1,390 and Y1,300 respectively.

Major issues closed mixed. Ishikawajima-Harima Heavy Industries, which was bought heavily by Nomura Securities last week, ended Y4 down at Y691 after rising Y5 at one stage. It remained the most active stock with 48.88m shares traded.

Among other large-capitals, Kawasaki Steel firmed Y3 to Y344, Kawasaki Heavy Industries eased Y1 to Y316, Sumitomo Heavy Industries gave up Y8 to Y550 in busy trade, and Nippon Steel edged up Y1 to Y391.

High-tech stocks remained sluggish with the exception of Matsushita Electric Industrial which rose Y20 to Y2,270. NEC shed Y30 to Y1,990 and Toyota Motor eased Y20 to Y1,880.

Some supermarkets and foods succumbed to profit-taking after their good advances last week. Daiei fell Y30 to Y1,790, Chujitsuya gave up Y100 to Y2,750 and Itoham Food shed Y10 to Y1,650.

Bonds firmed on dealer buying and continuing expectations of lower interest rates. Dealers paid little attention to the dollar's rebound to above Y129 on the Tokyo foreign exchange market.

The yield on the bellwether 5.0 per cent government bond maturing in December 1997 plunged from Saturday's close of 4.150 per cent to 4.130 per cent.

Equities posted their fourth consecutive gain on the Osaka Securities Exchange (OSE), with buying focusing on small-capital issues. The OSE stock average added 47.35 to 24,009.58 on a volume of 84m shares, down 26m shares from last Saturday.

Nintendo surged Y100 to Y9,000 and Mitsumi advanced Y60 to Y1,090, while Teikoku Sangyo tumbled Y70 to Y830.

Singapore

THE REMOVAL of Singapore from the US generalised system of tariff preferences depressed share prices from the opening as operators liquidated their positions to take profits or cut losses.

The Straits Times industrial index fell 16.91 to 891.99 in thin trading, limited by the closure of the Malaysian markets for a local holiday.

A sell-off by small investors hit blue chips while overseas investors continued to sell DBS Land shares, down 1½ cents to 93 cents.

Quality losers included Cold Storage, down 18 cents at S$3.56, Cerebos which shed 16 cents to S$4.83, Sime Darby, off 11 cents at S$2.22 and Singapore Press Holdings which gave up 5 cents to S$7.30.

FT – ACTUARIES WORLD INDICES

Jointly compiled by the Financial Times, Goldman, Sachs & Co., and Wood Mackenzie & Co. Ltd., in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS	FRIDAY JANUARY 29 1988					THURSDAY JANUARY 28 1988			DOLLAR INDEX		
Figures in parentheses show number of stocks per grouping	US Dollar Index	Day's Change %	Pound Sterling Index	Local Currency Index	Gross Div. Yield	US Dollar Index	Pound Sterling Index	Local Currency Index	1987/88 High	1987/88 Low	Year ago (approx)
Australia (93)	97.81	−0.2	81.92	91.59	4.94	97.97	81.46	91.21	180.81	85.36	101.89
Austria (16)	88.47	−1.1	74.10	76.97	2.72	89.50	74.42	77.49	102.87	85.53	98.38
Belgium (48)	106.60	+0.8	89.29	92.27	5.14	105.74	87.92	91.13	134.89	94.63	106.07
Canada (127)	109.11	+0.1	91.39	100.81	3.17	109.04	90.67	100.83	141.78	98.15	112.02
Denmark (38)	113.94	+0.2	95.44	99.57	2.97	113.68	94.53	98.88	124.83	98.18	123.80
Finland (23)	110.67	+0.2	92.70	94.62	1.80	110.43	91.82	94.02	–	–	–
France (124)	72.77	−1.8	60.95	64.55	4.60	74.13	61.64	65.32	121.82	72.77	111.43
West Germany (94)	67.78	−0.9	56.77	59.11	3.13	68.38	56.86	59.22	104.93	67.78	93.88
Hong Kong (46)	91.69	+0.2	76.80	91.52	5.75	91.49	76.07	91.61	158.68	73.92	100.86
Ireland (14)	113.80	+0.8	95.32	101.14	4.48	112.85	93.84	99.76	160.22	93.50	115.40
Italy (94)	70.83	+0.6	59.33	65.33	2.94	70.39	58.53	64.69	112.11	70.11	102.11
Japan (457)	149.24	−0.2	125.00	120.51	0.58	149.46	124.28	120.13	161.28	100.00	116.44
Malaysia (36)	119.63	+0.4	100.21	117.49	3.18	119.14	99.07	117.21	193.64	93.76	113.43
Mexico (14)	133.63	+2.1	111.93	330.20	1.08	130.92	108.86	321.36	422.59	90.07	114.02
Netherland (37)	97.80	+0.9	81.92	84.10	5.35	96.91	80.58	82.78	131.41	87.70	105.22
New Zealand (24)	72.50	−1.1	60.73	57.72	5.69	73.29	60.94	58.06	138.99	72.00	90.02
Norway (24)	101.08	+2.6	84.67	87.43	3.13	98.55	81.94	84.97	185.01	95.51	109.50
Singapore (26)	105.75	+0.6	88.58	98.32	2.46	105.13	87.41	97.76	174.28	81.21	108.11
South Africa (61)	122.69	−2.0	102.77	77.18	5.40	125.13	104.05	79.87	198.09	100.00	113.64
Spain (43)	136.94	+0.3	114.70	117.80	3.46	136.52	113.51	116.97	168.81	100.00	118.84
Sweden (34)	106.95	+1.5	89.58	95.35	2.62	105.40	87.64	93.62	136.64	88.50	91.53
Switzerland (53)	76.95	−0.2	64.45	65.21	2.55	77.09	64.10	64.81	111.11	73.65	102.26
United Kingdom (329)	130.89	−0.3	109.64	109.64	4.28	131.31	109.18	109.18	162.87	99.65	112.41
USA (588)	104.83	+1.4	87.81	104.83	3.55	103.38	85.96	103.38	137.42	91.21	113.07
Europe (971)	99.64	−0.3	83.46	85.65	3.97	99.91	83.08	85.32	130.02	92.25	106.23
Pacific Basin (682)	145.00	−0.1	121.46	118.20	0.80	145.22	120.75	117.83	158.77	100.00	115.27
Euro-Pacific (1653)	126.88	−0.2	106.27	105.22	1.80	127.11	105.70	104.87	143.65	100.00	111.67
North America (715)	105.05	+1.3	87.99	104.61	3.53	103.68	86.21	103.25	137.55	91.68	113.02
Europe Ex. UK (642)	80.30	−0.2	67.26	70.50	3.67	80.49	66.93	70.26	111.97	78.89	95.87
Pacific Ex. Japan (225)	93.98	+0.0	78.72	88.75	5.07	94.03	78.19	88.59	164.03	82.92	100.65
World Ex. US (1855)	126.23	−0.2	105.73	104.89	1.88	126.48	105.17	104.59	143.38	100.00	111.70
World Ex. UK (2114)	116.67	+0.4	97.72	104.32	2.25	116.19	96.61	103.61	138.82	100.00	112.23
World Ex. So. Af. (2382)	117.89	+0.4	98.75	105.02	2.43	117.48	97.68	104.30	139.47	100.00	112.24
World Ex. Japan (1986)	102.93	+0.7	86.21	96.99	3.75	102.22	85.00	96.12	134.22	92.98	110.25
The World Index (2443)	117.93	+0.3	98.78	104.82	2.45	117.53	97.72	104.13	139.73	100.00	112.24

Base values: Dec 31, 1986 = 100; Finland Dec 31, 1987 = 115.037 (US $ Index), 90.791 (Pound Sterling) and 94.94 (Local).

Latest prices were unavailable for this edition.

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